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European Economic Forecast

Autumn 2026



EUROPEAN ECONOMY

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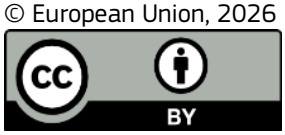
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European Commission
Directorate-General for Economic and Financial Affairs

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Autumn 2026

EUROPEAN ECONOMY

Institutional Paper 348

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

Graphs/Tables/Units

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

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

Currencies

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

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FOREWORD

The feared scenario of prolonged disruption in global energy supply has largely materialised. Yet its economic impact has so far remained manageable. Economic activity has held up better than expected, with positive momentum set to persist, even though inflation has stayed high and is expected to prove more persistent than previously assumed.

Europe continued to benefit from a strong global investment cycle, even as domestic investment remained weak. External demand, particularly in sectors linked to the rapid build-up of data centres, helped cushion the adverse impact of higher energy costs and tighter financing conditions. Consumption also held up, supported by continued, albeit decelerating, employment growth and continued real wage gains.

Moreover, the EU economy benefits from buffers to withstand further shocks, including a still robust labour market and sound private-sector balance sheets. However, aggregate strengths conceal important vulnerabilities. Younger workers are among the first to feel weakening labour demand; inflation disproportionately affects lower-income households, which have fewer savings to draw on and spend a larger share of their income on food and utility bills; and, despite still-healthy overall profit margins, some industrial sectors face considerable cost and non-cost competitiveness pressures. Importantly, private-sector financial strength coexists with a gradual deterioration in public-sector positions, a vulnerability now laid bare by surging interest rates.

The baseline outlook remains one of moderate expansion amid gradually easing price pressures. The recent decline in sovereign yields from their highs and the partial easing in commodity prices may provide some welcome breathing space. Still, in an external environment that remains highly uncertain, sound public finances are essential to preserve confidence, contain financing costs and, above all, retain the capacity to act should the outlook worsen.

Rising sovereign yields across the EU have emerged as a potentially more consequential challenge. The increase in long-term rates reflects a global repricing of bonds amid renewed inflationary pressures and rising public and private borrowing needs. Within the EU, widening spreads for Member States facing elevated borrowing needs and deteriorating debt dynamics, point to markets differentiated appraisal of fiscal sustainability.

Already in spring, the policy message was to stay the course on public finances and avoid costly blanket fuel subsidies that would merely delay the necessary adjustment in energy demand. Renewed tensions in financial markets reinforce the importance of that message.

Sound public finances are not only a requirement for sustained and balanced growth; they are also key to safeguard intergenerational equity by ensuring that today's fiscal choices do not unduly fall on the shoulders of future generations.



Director General
Economic and Financial Affairs

CONTINUED GROWTH AMID HIGHER INFLATION

EXECUTIVE SUMMARY

Protracted disruptions in energy markets intensify global inflationary pressures

Almost eight months after the start of the conflict in the Middle East, energy flows through the Strait of Hormuz—the world's main oil artery—remain severely disrupted. Damage to the region's energy infrastructure means that supply will recover only gradually, even if the Strait fully reopens. After easing over the summer amid a fragile ceasefire and hopes of a lasting peace agreement, Brent prices exceeded 100 dollars in October and at times even surpassed the late April peaks. Re-routing of flows, together with a contraction in global demand and the release of strategic reserves, helped contain the increase in crude oil prices. However, freight and insurance costs rose sharply, while bottlenecks in refining capacity have added pressure on refined product prices, with diesel prices doubling year-on-year. Gas markets are also tight, with TTF prices trading above 95 EUR/MWh in late October—more than three times their late February level. Futures point to gradual easing ahead, but oil product and gas prices remain well-above pre-war levels throughout the forecast horizon and low levels of strategic reserves and gas storage suggest that buffers to absorb further shocks are thin (Box I.3.1). Global headline inflation closely mirrored the energy market developments and, after easing over the summer, it surged again in September.

Global long-term interest rates surged amid volatility in equity markets

In response to inflationary pressures, central banks across the globe, including the US Federal Reserve, have started, or are expected, to raise policy rates, lifting short-term interest rates. The increase in interest rates has been steeper at the long end of the yield curve. At the cut-off

Table 1: **Autumn 2026 Forecast – overview**

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2026	2027	2028	2026	2027	2028	2026	2027	2028	2026	2027	2028	2026	2027	2028
Belgium	0.7	0.8	1.2	3.6	3.2	2.5	6.4	6.5	6.3	-0.8	-0.8	-0.5	-5.2	-5.5	-5.7
Bulgaria	2.7	2.1	2.3	4.6	3.9	3.3	3.4	3.5	3.5	-6.9	-6.4	-6.2	-5.0	-4.0	-4.8
Germany	1.3	1.0	0.7	2.9	3.2	2.0	4.0	4.0	4.0	4.4	4.3	4.6	-4.1	-4.4	-4.5
Estonia	2.2	2.1	2.3	3.1	3.6	2.4	7.1	6.9	6.8	-1.4	-1.9	-1.8	-4.4	-3.9	-3.9
Ireland	-0.4	3.9	3.6	3.4	3.1	2.2	5.0	5.0	5.1	10.0	9.3	8.9	1.4	1.4	0.6
Greece	1.8	1.5	1.5	4.1	3.2	2.4	8.4	8.0	7.7	-6.3	-5.9	-5.9	0.9	0.7	0.2
Spain	2.6	2.1	1.9	3.9	3.3	2.3	9.9	9.6	9.4	2.4	2.5	2.8	-2.6	-2.2	-2.2
France	0.4	0.6	1.4	2.6	2.9	2.1	8.4	9.2	9.8	-0.7	-0.9	-0.3	-5.5	-5.4	-5.7
Croatia	2.1	2.4	2.3	4.2	3.0	2.6	4.7	4.6	4.6	-4.6	-5.2	-5.2	-2.8	-2.8	-2.9
Italy	1.0	0.7	0.8	3.4	3.1	1.8	5.9	5.8	5.8	-0.1	-0.2	0.3	-2.9	-3.5	-3.2
Cyprus	3.4	3.0	3.2	3.9	2.9	2.4	3.8	3.8	3.7	-10.3	-9.5	-8.4	2.9	3.2	3.3
Latvia	2.6	1.8	2.2	3.2	3.6	2.9	6.9	6.8	6.7	-6.2	-5.6	-5.0	-2.9	-4.4	-5.4
Lithuania	2.7	2.2	2.3	5.1	3.3	2.9	6.7	6.7	6.7	-1.5	-1.4	-1.9	-3.5	-4.3	-5.1
Luxembourg	1.3	1.8	2.0	3.7	2.5	1.9	6.9	6.7	6.3	-2.9	-2.9	-2.8	-1.1	-1.0	-1.7
Malta	3.9	3.5	3.8	2.5	3.0	2.6	3.1	3.1	3.1	5.4	4.9	4.7	-2.8	-2.8	-2.8
Netherlands	1.8	1.5	1.6	3.0	2.9	2.2	4.0	4.1	4.2	7.6	7.7	7.7	-2.5	-2.1	-2.3
Austria	0.8	1.2	1.1	3.1	2.9	2.0	6.1	5.8	5.5	2.5	2.9	3.2	-4.0	-3.6	-3.6
Portugal	2.3	1.9	2.1	3.2	3.0	2.2	5.8	5.7	5.6	0.1	0.2	0.3	0.1	-0.1	-0.3
Slovenia	3.9	2.9	2.5	3.4	2.4	2.3	3.8	3.8	3.8	2.2	1.8	1.4	-2.9	-4.5	-4.3
Slovakia	0.8	1.6	1.5	3.8	3.2	4.0	5.7	5.7	5.7	-3.7	-3.0	-2.8	-4.4	-5.0	-5.5
Finland	1.6	1.6	1.5	2.5	2.3	1.7	10.6	10.2	9.4	0.8	0.6	0.2	-4.0	-4.5	-4.5
Euro area (21)	1.2	1.2	1.3	3.2	3.1	2.1	6.4	6.5	6.6	2.1	2.1	2.4	-3.5	-3.6	-3.8
Czechia	1.8	2.5	2.1	2.1	2.8	2.5	3.1	3.2	3.3	0.4	0.8	0.8	-2.7	-3.3	-3.3
Denmark	4.5	2.0	2.1	1.7	2.7	2.5	7.0	7.0	7.1	11.6	10.4	10.1	1.1	0.5	0.3
Hungary	1.8	2.8	2.9	2.2	3.4	3.0	4.6	4.3	4.0	-0.3	-0.4	-0.1	-7.3	-5.2	-5.3
Poland	3.5	2.7	2.7	3.3	4.4	3.9	3.1	3.1	3.0	-2.0	-2.0	-1.5	-7.1	-7.1	-7.2
Romania	-0.3	1.8	2.2	7.9	4.4	3.8	6.7	6.4	5.8	-7.0	-6.3	-5.8	-6.0	-5.8	-5.6
Sweden	2.8	2.2	1.5	1.3	2.8	2.4	8.6	8.2	7.7	5.2	5.3	5.3	-2.1	-1.4	-0.9
EU	**1.4**	**1.4**	**1.5**	**3.3**	**3.2**	**2.3**	**6.1**	**6.2**	**6.1**	**2.0**	**1.9**	**2.2**	**-3.6**	**-3.7**	**-3.8**

date of this forecast, the 10-year US Treasury yield was at around 5.1%, up from 4.4% at end-April, and the 30-year yield exceeded 5.4%. Long-term yields in other advanced economies, notably the UK and Japan, also increased. Beyond intensified short-term inflationary pressures, this reflects the large supply of long-term debt issued both by official and private sectors, while central banks have turned net sellers of sovereign bonds (Box I.4.1). Meanwhile, equity markets have been volatile, amid rebounding oil prices and concerns about the profitability and financing of AI companies, which weigh on technology shares.

Global growth and trade keep expanding, propped up by a strong investment cycle

The global economy continued to expand in the first half of 2026, and the composite PMI still signals strong momentum in the third quarter. Merchandise trade also grew robustly, by 6% y-o-y in the first eight months of 2026, led by advanced, and emerging Asian economies. In the US, AI-related investment continued to expand vigorously, and large technology companies have further scaled up their investment plans. The Southeast Asian economies have also stepped-up investment, partly to meet rising demand from the AI boom. These developments have generated trade spillovers beyond the semiconductor industry and US-Southeast Asian trade, reflecting the geographically dispersed supply chains and the broad range of high- and mid-tech inputs required to build and equip data centres. Chinese exports also surged, with rising evidence of an ongoing reconfiguration of trade flows in response to US-China trade tensions (Box I.2.1). Global growth (excluding the EU) is forecast at 3.2% in 2026 and 3.6% in 2027 and 2028, with the 2027 pick-up largely driven by emerging market economies. Global trade (excluding the EU) is forecast to grow by 4.1% in 2026 and 5% in 2027, before moderating to 3.8% in 2028 as AI investment growth slows.

EU growth surprised to the upside this year and is set to keep up over the forecast horizon...

At 1.3%, the rate of expansion of the EU economy over the first three quarters of the year was higher than expected in spring. The upward surprise was largely driven by a strong rebound in exports, while consumption held up broadly as expected and investment came in slightly weaker. Reflecting these developments on the demand side, after a prolonged period of weakness (Special Issue 1.), activity in manufacturing experienced a positive upswing, retail trade and services held steady, while construction activity broadly stagnated. By contrast, agricultural production was weak in the first half of the year and suffered further in the third quarter on the back of this summer's heatwaves and droughts (Box I.5.1). Overall, these developments lift the EU growth forecast for 2026 to 1.4%—the same rate as in 2025. Economic activity is expected to expand by 1.4% also in 2027 and by 1.5% in 2028. Growth in the euro area is expected to reach 1.2% this year and next and move up to 1.3% in 2028. Potential output growth in 2026 in the EU is estimated at 1.4% and is expected to decrease over the forecast horizon and beyond. These estimates do not include any adjustment for the potential impact of AI on TFP (Box I.10.1).

...despite stronger and more persistent inflationary pressures

In October, euro area inflation rose to 4.0%, from 3.8% in September. Inflation was driven by energy prices, which surged by almost 21% y-o-y. Unprocessed food inflation also edged up to 4%, likely reflecting a delayed pass-through of higher energy and fertiliser costs, alongside disruptions to crops caused by the summer's extreme weather events. Energy inflation is projected to moderate next year, as falling retail fuel prices more than offset the gradual rise in electricity and gas, due to

the delayed transmission of high wholesale prices. By contrast, unprocessed food price pressures are expected to intensify in the near term and gradually spill over to processed food prices along the supply chain. Moreover, higher energy costs are likely to feed through to the consumption basket (Box I.7.1). Still, second round effects are expected to remain contained against a backdrop of decelerating wages, while aggregate profit margins edge up marginally. Overall, headline inflation in the EU is expected to peak above 4% between the end of this year and the beginning of 2027. Annual inflation is set to reach 3.3% in 2026 and 3.2% in 2027, before falling back to 2.3% in 2028. Euro area inflation is expected to follow broadly similar dynamics. As in the previous inflationary episode of 2022, lower income households are more exposed to high food prices and rising household energy bills, given the higher share of these essential items in their consumption basket (Special Issue 2.).

Financing conditions have tightened sharply

Despite renewed inflationary pressures, medium-term market-based inflation expectations remained well anchored, reflecting markets' confidence in the ECB's ability to restore and ensure price stability. The euro area policy rates were raised by 25 bps. in both June and September. At the cut-off date of the forecast, markets expected three to four further increases, with the deposit facility rate peaking at around 3.4% by mid-2027. Longer-term interest rates had risen more markedly, broadly in line with developments in global bond markets. The 10-year German government bond yield, the euro area benchmark, stood at around 3.4% in September, compared with around 3.0% at the time of the Spring 2026 Forecast cut-off. The increase reflected both expectations of a higher path for short-term interest rates and higher term premia, partly associated with sustained government borrowing needs. Bond markets appeared to increasingly differentiate across sovereigns, reflecting differences in fiscal positions, with sovereign spreads widening across the EU. French government bond yields saw significant increases. Higher policy rates and long-term yields weigh on credit demand, while banks have also tightened their lending standards, adding to the restraint on credit supply.

Investment growth is set to slow down this year and recover in outer years, while remining subdued

The high-rate environment is set to weigh on residential construction, which is expected to broadly stagnate this year and recover only modestly over the next two years. In a context of continued excess demand, pressures on housing prices have continued to build up, raising social cohesion issues to greater prominence in some urban regions. By contrast, non-residential construction, including public investment, is projected to keep expanding this year under impulse from the Recovery and Resilience Facility, but the momentum is set to weaken over the forecast horizon. Equipment investment, by contrast, is projected to keep expanding at a healthy pace this year, also supported by the rebound of manufacturing since spring, but decelerate in 2027. Other investment, which largely includes intangible assets, is set to keep expanding steadily over the forecast horizon, though at a slower pace than in the US, also reflecting weaker AI investment across Europe. Overall, investment is set to decelerate from a yearly growth rate of 2.6% in 2025 to an annual average of around 1.5% this year and next, before edging up towards the end of the forecast horizon. The combination of subdued investment growth and solid corporate balance sheets leads to continued excess of corporate

saving over investment, consolidating the sector's position as a net lender (Box I.5.2).

Unemployment still hovers around historical lows while wage growth remains sustained...

The EU labour markets are expected to employ more than 800,000 additional workers in 2026, even if employment growth is projected to remain subdued relative to output growth. The implied elasticity of around 0.25–0.3, below its long-run average of close to 0.5, points to a less job-rich economic expansion than in previous years. Cyclical labour productivity growth is thus projected to return to around 1%. Despite adverse demographic trends (Box I.6.1), labour force growth is still set to increase over the forecast horizon, with activity rates nudging up to 66.7% by the end of the forecast horizon. The unemployment rate is expected to remain close to record lows, slightly above 6%, throughout the forecast horizon. Stability in the unemployment rate, nonetheless, masks an increase in unemployment among younger cohorts. A rising share of the youth cohort is also working fewer hours than they would like. While these developments point to some emerging weaknesses in the labour market, it is too early to establish a link with potential labour-market effects of AI adoption. Wages are projected to grow by 3.8% this year and 3.7% next year—marginally higher than expected in spring—and decelerate more notably in 2028. This implies positive real wage growth over the forecast horizon, though below productivity growth.

...supporting a modest expansion of private consumption

Over the forecast horizon, real disposable income is, however, projected to expand at a weaker pace than in spring, given the important increase in the cost of living. Private consumption growth is set to soften to 1.3% this year, weaken marginally to 1.1% in 2027 and move back to 1.3% in 2028, as decelerating inflation allows for stronger expansion of household purchasing power. The forecast for consumer spending is also conditional upon a small drop in the household saving rate, to 14.1% in 2028, still well above the pre-pandemic average of around 12%. Wealth effects play a marginal role in supporting consumption (Box I.4.2). After expanding at a projected rate of 1.9% this year, government consumption growth is expected to decelerate to just above 1% over the two years.

Exports are set to deliver a sizable—albeit temporary—boost to growth

Following a strong rebound in the first half of the year, export growth is set to attain 3.2% this year and 2.8% in 2027, well above the growth rates expected in spring. It would then decrease to 2.3% in 2028. The strong global AI and electrification investment cycle supports the improved outlook for goods exports, with firms across the EU supplying power, cooling, and chip-making equipment. Imports are also seen higher, but still projected to decelerate over the forecast horizon, from 3.5% in 2025 to 2.3%. Re-alignment of export and import growth implies an almost neutral contribution of net external demand over the forecast horizon starting this year. The external balance of goods and services is affected by the negative terms of trade effect of this year's surge in energy prices and is set to decline from 3.5% of GDP in 2025 to 3.1% this year, before moving up again to 3.4% by 2028. The services surplus (around 2% of GDP) accounts for most of the overall surplus, although total goods trade flows remain about twice as large as services trade flows.

Public finances face renewed pressure

Government deficits are set to rise markedly this year, as a result of increasing defence spending, rising interest expenditure, and some new measures to shelter households and firms from high energy prices. The

EU aggregate general government deficit is set to increase from 3.1% to 3.6% this year, followed by further small increases in both 2027 and 2028—with a similar trend expected in the euro area. While fiscal policy is overall slightly contractionary in 2027-28, and temporary measures to mitigate the social and economic impact of high energy prices are expected to be phased out, interest expenditure is set to rise steadily, from 1.9% of GDP in 2025 to 2.4% of GDP in 2028—the highest ratio for more than a decade. Although cohesion policy spending is set to increase gradually, the overall level of EU-funded expenditure is expected to decrease in 2027 as the RRF comes to an end. This contributes to the contractionary fiscal stance in 2027. Public investment remains stable as a percentage of GDP at historically high levels, bolstered by the continued rise of defence spending. The debt-to-GDP ratio is set to increase in the EU from 82.6% of GDP in 2025 to 85.6% in 2028. In the euro area, it is projected to increase from 88.6% of GDP in 2025 to 91.3% in 2028.

Risks to growth are assessed as two-sided, and the recent retreat of energy prices add downside risks to inflation

Risks to the outlook remain closely linked to geopolitical developments and persistently elevated uncertainty. Although the conflict in the Middle East has outlasted initial expectations, military action has eased. Lower oil and gas prices following the US mid-term elections could, if sustained, materially lower the inflation outlook for 2027 and 2028, while marginally lifting economic activity in 2027. Closer to Europe, however, Russia's protracted war of aggression against Ukraine and rising hybrid threats continue to undermine the security environment, with potential disruptions to supply chains, higher operating costs and weaker confidence. Trade policy uncertainty also remains elevated, although deeper relations with EU partners such as the UK and Canada could provide some offset. Equity markets remain vulnerable to a correction given high valuations and market concentration, particularly in the United States. Renewed increases in long-term interest rates could add to fiscal pressures and weigh on growth. On the upside, faster AI adoption could boost productivity and potential growth, particularly in European manufacturing, while stronger investment in defence, infrastructure and industrial modernisation could support activity. Finally, more frequent and extreme weather events could continue to weigh on output and raise prices, through production losses and damage to natural assets and infrastructure. Faster implementation of structural reforms to address long-standing bottlenecks to EU competitiveness could unlock stronger growth. Finally, resolute progress in the energy transition to reduce Europe's dependence on imported fossil fuels would further boost economic resilience.

PART I

Economic outlook for EA and EU

1. SETTING THE SCENE

Energy supplies from the Middle East remain disrupted, contrary to the market expectations of a few months ago. In March, following the first US and Israeli strikes on Iran, oil prices surged sharply. Yet markets priced in a short-lived conflict, reflecting the expectation that a prolonged disruption to shipping through the Strait of Hormuz would be economically untenable for both Iran and the United States. A ceasefire reached in June collapsed in July, and renewed hostilities have pushed back expectations of an imminent resolution. At the cut-off date of this forecast, speculation about renewed strikes after the US midterm elections had added further upward pressure on prices. The market assumptions underpinning this forecast therefore reflect energy prices close to their peaks so far this year, particularly for natural gas.

Even so, the energy shock delivered by the conflict has proved less severe than feared in the pessimistic scenarios prevailing in spring 2026. The increase in crude prices was limited by the re-routing of export flows, a gradually more porous blockade, a stronger-than-expected contraction in global oil demand and the exceptional release of strategic reserves. Refined product prices have risen more markedly than crude, as supply disruptions have compounded existing refining bottlenecks. Gas prices also increased markedly, as gas markets offered less scope to offset the disruption through alternative supply routes and sources. Moreover, the slow pace of storage replenishment over the summer contributed to a surge in European gas prices ahead of the winter season.

Inflation has rekindled, mainly driven by energy, and is now beginning to broaden to food. Headline inflation rose markedly from 1.9% in February to 4% in October, largely on account of energy. Beyond energy commodity prices, the exceptionally hot and dry summer of 2026 in much of Europe also contributed to the surge in energy inflation, as low water levels constrained hydropower generation and cooling water availability for nuclear plants, just as electricity demand for cooling surged. Disruptions to agricultural production are already putting upward pressure on unprocessed food prices, while the developing El Niño phase and renewed disruptions to grain exports from Ukraine via the Black Sea are likely to add to upward pressure on food import prices in the coming quarters.

A consequential adverse development over the summer has been the marked rise in long-term interest rates. At the cut-off date of this forecast, the 10-year Bund yield was around 60 basis points above its level in February, after having risen by as much as 90 basis points in mid-October. Yields have also increased in the United States and other advanced economies. This repricing reflects a confluence of factors, including shifts in central bank policy expectations, increased supply of private and public debt, and concerns about fiscal sustainability. Equity markets have remained volatile, with frequent concerns about stretched technology valuations, but, overall, they continue to trade at elevated levels.

Still, economic activity in the EU held up better than expected in the first half of the year, buoyed by a strong global investment cycle. In the United States, AI-related investment continued to expand vigorously, and large technology companies further scaled up their investment plans. South-East Asian economies also stepped-up investment in semiconductor manufacturing and other technology-related capacity, partly to meet rising demand from the AI investment boom. This generated moderate but notable trade spillovers beyond traditional semiconductor trade and US–Southeast Asian trade, reflecting geographically dispersed supply chains and the broad range of high- and mid-tech inputs required to build and equip data centres. EU producers appear to have benefited chiefly as suppliers of power, cooling and semiconductor-manufacturing equipment, rather than of computing hardware itself. It was mainly thanks to strong export growth that EU GDP growth was somewhat stronger than projected in the Spring 2026 Forecast.

Strong private-sector balance sheets and still-tight labour markets continue to have a stabilising effect, though their cushioning impact may be eroding. Employment has continued to expand, and unemployment remains at historically low levels. Household saving rates

are still above pre-pandemic averages, offering protection against the erosion of real incomes, while corporate indebtedness has declined in recent years. These buffers have so far helped the private sector absorb economic shocks and contain the drag on growth. Aggregate figures may, however, conceal underlying fragilities. Younger workers are often more exposed to a weakening labour market, even while aggregate employment remains robust. Lower-income households have more limited financial buffers and devote a larger share of their income to energy and food; the high cost of living is increasingly a source of public concern, fuelling social discontent and undermining social cohesion. Finally, while aggregate corporate margins look healthy, they are at the lower end of their historical distribution in many Member States, and some industrial sectors continue to face considerable competitive pressure.

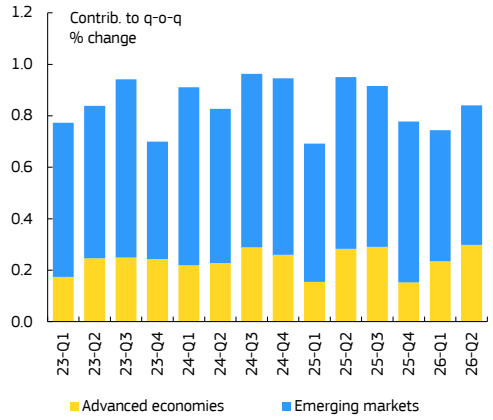
The macro-policy mix is likely to provide less support than previously expected. In spring, monetary policy could plausibly be expected to look through a temporary rise in inflation. With energy prices remaining elevated for longer and their pass-through broadening, the expected monetary policy stance has become less accommodative than previously assumed. Fiscal policy also faces tighter constraints. Fiscal space had already been reduced by the legacy of successive crises and rising interest expenditure. Increasing pressure from bond markets is adding to interest expenditure at a time when defence spending still needs to be ramped up and demands from households and firms for protection against surging energy costs are intensifying.

The exceptional volatility of energy and financial markets makes this forecast particularly conditional on developments up to its cut-off date. Averaging market prices over a ten-working-day period – as is done to form the assumptions underpinning the European Economic Forecasts – provides only limited smoothing when volatility is pronounced. Moreover, the cut-off date for the technical assumptions (29 October) preceded the US midterm elections by almost a week. Subsequent developments have materially changed the picture. A lower perceived risk of renewed strikes against Iran has contributed to sharp declines in energy prices, with Brent crude and TTF gas spot prices falling by around 20%. Financial markets have also repriced significantly. Concerns that public opposition to data centres expansion in the US and elsewhere, alongside tighter regulation of frontier AI models could weigh on investment have added to volatility in AI-related equity valuations. These developments have supported bond markets, pushing yields down, including at shorter maturities. While the dust has yet to settle, these developments, if sustained, would point to upside risks to growth and downside risks to inflation, as discussed in more detail in the risk assessment. More broadly, the exceptionally uncertain external environment means that forecasts are increasingly exposed to events unfolding almost as soon as they are finalised.

2. INTERNATIONAL ENVIRONMENT

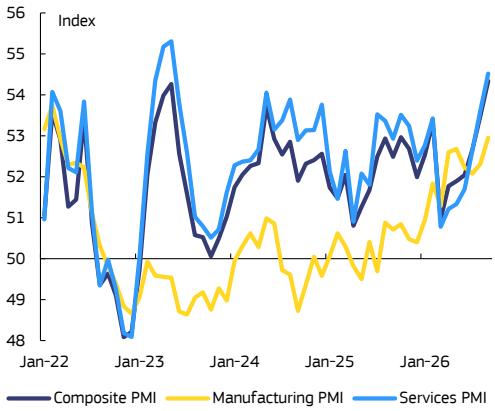
The global economy continued to expand in the first half of 2026, with growth pace estimated to have remained steady in the third quarter. Global economic activity is estimated to have expanded by around 0.8% q-o-q in 2026-Q2, up from 0.7% recorded in 2026-Q1 and matching the growth rate recorded in 2025-Q4 (Graph I.2.1). Growth in the advanced economies accelerated further to 0.7% q-o-q in 2026-Q2 from 0.5% in 2026-Q1 and 0.3% in 2025-Q4, supported by strong activity across the US, Japan, UK and EU. Growth in emerging market economies (EMEs) was at 1% q-o-q in 2026-Q2, after slowing from 1.1% q-o-q in 2025-Q4 to 0.9% q-o-q in 2026-Q1. Recent survey data point to continued global expansion in the third quarter, with the Global Composite Purchasing Managers' Index (PMI) rising from 51.8 in April to 54.3 in September 2026, matching the value last achieved in May 2023 (Graph I.2.2). The services PMI increased significantly, from 51.2 to 54.5 over the same period, while the manufacturing PMI strengthened to 53.0 in September, its highest level since February 2022, just before Russia's full-scale invasion of Ukraine.

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



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

Graph I.2.2: **World PMI**



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

US real GDP growth remained robust throughout the first three quarters of 2026. Household consumption has remained strong so far in 2026, while investment in AI-related equipment and intellectual property products continued to expand robustly. A one-off increase in tax refunds in the first half of 2026 (nearing 20% compared to the same period last year) provided an additional tailwind to domestic demand, even as weak government spending after the post-shutdown rebound in 2026-Q1 weighed on growth. Ongoing repayment of the IEEPA tariffs, which were struck down by the US Supreme Court in February 2026, helped to further strengthen healthy corporate sector balance sheets. Exports continued to increase at a robust pace, while the strength of domestic demand was increasingly reflected in imports (notably of AI-related goods), resulting in a further widening of the trade deficit. Employment growth remained subdued, but the unemployment rate edged down by 0.2 pps. to 4.2% in September, partly due to a shrinking labour force. Overall, economic activity in the US is forecast to expand by 2.3% in 2026.

US economic growth is set to ease in 2027 and 2028. Private consumption growth is expected to moderate, as employment growth is set to remain weak and household saving rates low. Higher living costs and tighter financing conditions are also forecast to weigh on consumption and non-tech investment. In 2027, continued robust technology-related business investment is projected to offset the drag from higher energy prices and lingering headwinds from trade policy. Booming demand for AI-related equipment and components is set to keep imports strong, keeping the growth contribution of net exports negative. In 2028, AI-related investment growth is expected

to moderate, while the effects of higher energy prices and tariffs fade. Overall, US real GDP growth is forecast at 2.1% in 2027 and at 2% in 2028.

In other advanced economies, domestic and external headwinds are set to constrain economic expansion. In the United Kingdom, higher energy prices are weighing on real incomes, while a softening labour market keeps precautionary saving elevated, restraining consumption. Higher borrowing costs further limit room for fiscal support, with the new budget keeping energy relief targeted, temporary and financed by a time-limited bank levy to preserve fiscal headroom. Public investment is nonetheless expected to provide some offset. Growth is projected at 1.3% in 2026 and 1.2% in 2027, rising to 1.4% in 2028 as inflation returns towards target and real income growth resumes. In Canada, escalating trade tensions with the US and uncertainty around the USMCA (US–Mexico–Canada trade agreement) review are weighing on exports, business investment and employment. As a net energy exporter, higher energy prices as well as increased government spending provide offsets. Growth is projected to accelerate from 1.1% in 2026 to 1.6% in 2027 and 1.9% in 2028. Japan's economy expanded in the first half of 2026, with resilient exports and public spending offsetting weak private consumption and contracting investment. Growth is expected to remain subdued in the second half of this year as high inflation weighs on private spending. Growth is forecast at 0.9% in 2026 as a whole, before moderating to 0.7% in 2027 and 0.6% in 2028, with private consumption remaining lukewarm despite rising real wages. Public spending is expected to remain elevated, supporting domestic demand.

China's economic activity picked up in the third quarter of 2026, with real GDP growth reaching 4.5% y-o-y, up from 4.3% in the second quarter. Growth over the first nine months reached 4.6%, at the lower end of the government's 4.5% to 5.0% target range. The expansion nonetheless remained narrowly based. Industrial production rose by 5.3% over the first nine months, with high technology and equipment manufacturing again the most dynamic segments. Household consumption was subdued, and real retail sales remained flat in the same period. Fixed asset investment contracted by 7.2% in the same period, dragged down by the ongoing property correction, declining investment by both state-owned enterprises and private firms, and more limited infrastructure spending. The contribution of net exports to growth declined, as export growth slowed while import growth picked up, even though crude oil import volumes fell markedly as China drew on its large stockpiles in response to disrupted Gulf supply.

The growth outlook in China has decreased marginally. Real GDP growth is forecast at 4.5% in 2026, 4.4% in 2027 and 4.3% in 2028. The broader picture remains one of weak domestic demand: subdued household consumption, a weak labour market, cautious private investment amid high indebtedness, and a property sector that continues to weigh on activity, leaving growth reliant on policy support and external demand. While the conflict in the Middle East adds to external risks, China's large strategic reserves, domestic energy production and relatively diversified energy mix provide significant buffers against disruptions to energy supplies. Overall, China is expected to remain on a fragile but only mildly decelerating growth path, with increased sensitivity to weakening external demand and weaker-than-expected policy support.

India grew more than expected in 2026-Q2, but the pace is set to moderate. Real GDP growth accelerated to 8.6% y-o-y in 2026-Q1 and remained robust at 7.8% in 2026-Q2. Resilient domestic demand remained the main driver and provided a buffer in the face of the external shocks. It is set to continue benefitting from a large and young labour force, a growing domestic market and competitive wage costs. That said, high-frequency indicators point to some moderation in activity, both in manufacturing and services. Rising food and energy prices are set to weigh on private consumption and could also dampen the recent strengthening of private investment. Overall, projected GDP growth is expected at 6.9% in 2026, slowing to around 6.7% in 2027 and accelerating again in 2028. Key downside risks relate to a less supportive external environment and potential effects of below-average rains, including in the context of El Niño, on agriculture and rural demand.

Growth across EMEs is set to weaken in 2026, amidst widening divergences across and within regions. In Türkiye, the economic fallout of the energy shock and rising domestic political tensions have stalled the disinflation process, with inflation persisting at around 31%. Fiscal and

monetary policy remain tight. Growth is expected to slow to 2.8% in 2026, in a context of weaker domestic demand and a negative contribution from net exports, before recovering somewhat in 2027 and 2028. The economic outlook across the countries of the Gulf Cooperation Council (GCC) has also weakened markedly as the prolonged conflict in the Middle East disrupts shipping through the Strait of Hormuz and constrains hydrocarbon production and exports, while non-oil activity remains comparatively resilient. Consistently with indications from the energy futures market, a steep rebound recovery is expected in 2027 as energy flows are assumed to normalise. However, recent attacks on Saudi energy infrastructure and the temporary shutdown of the East-West pipeline highlight substantial downside risks for these economies. Several economies in Sub-Saharan Africa are facing a combination of economic and humanitarian pressures from the Middle East conflict and renewed disruptions to Black Sea shipping, with high energy and food prices. Regional growth in Sub-Saharan Africa is nonetheless expected to hold up, supported by stronger export revenues and economic activity in a few resource-rich economies, which help offset weaker growth in countries heavily dependent on energy and food imports. In Latin America, the wider impact of the conflicts is similarly uneven. In Brazil, growth is projected to stabilise at around 2%, with higher energy and commodity prices partly cushioning the drag from high interest rates and reliance on imported fertilisers. In Mexico, growth is expected to pick up toward its potential growth rate of 2% as external and domestic uncertainty slowly dissipates. In Russia, growth is expected to weaken further in 2026 and 2027, with only a marginal recovery in 2028. The impact of higher oil prices on economic activity is expected to remain limited as the dire fiscal situation and an overleveraged corporate sector absorb much of the windfall oil revenues. In parallel, continued elevated war-related fiscal spending and ongoing Ukrainian drone attacks on refineries add to underlying inflationary pressures, where the resulting drag from high interest rates is set to continue weighing on the economy.

Global headline inflation largely followed energy price developments. After increasing from 3.3% in March to 4.0% in May, global inflation eased to 3.8% in July before rising to 4.6% in September, surpassing its spring peak. This renewed acceleration reflects the energy shock associated with the conflict in the Middle East. Inflation in advanced economies followed a similar pattern, rising from 3.1% in March to 3.7% in September, despite a temporary easing over the summer. In the US, headline inflation climbed from 2.4% in January to 4.2% in May, fell to 3.4% in July and rebounded to 3.7% in September, amidst renewed energy price pressures and persistent services inflation. Inflation also temporarily eased during the summer in other advanced economies (e.g., Canada, the EU, and the UK) while it picked up in Japan. In EMEs, headline inflation rose from 3.3% in March to 5.5% in September, reflecting the much higher share of energy in their consumption baskets. China remained an exception as inflation fell from 1% in March to 0.5% in July before edging up to 0.9% in September, with core inflation reaching 1%.

Global financial conditions have tightened since the spring, reflecting changing monetary policy expectations and rising long-term borrowing costs. Renewed inflationary pressures have led some central banks to pause easing or resume tightening. The US Federal Reserve raised its target rate range to 3.75–4% in September, with most Federal Open Market Committee (FOMC) participants expecting at least one further hike in 2026. Other advanced economies, including the euro area, Australia and Japan, have also raised policy rates since the spring. By contrast, some emerging economies, including Brazil, have continued to ease policy, reflecting differences in domestic inflation dynamics and the scope for monetary easing. Long-term government bond yields have risen across major advanced economies. The US 10-year Treasury yield reached around 5.1% at the end of October, up from 4.4% at the end of April, while the 30-year yield exceeded 5.4%, compared with around 5% at the end of June. Similar pressures have affected the UK, Japan and the euro area. Beyond inflation and expectations of higher policy rates, rising real yields, term premia and government borrowing needs have contributed to the increase. Fiscal concerns have further differentiated sovereign borrowing costs, particularly in highly indebted economies, while strong corporate bond issuance to finance AI investment has added to long-term financing pressures.

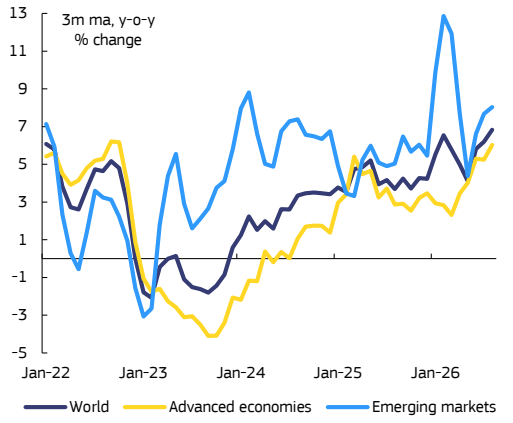
Risk asset markets have become more volatile, although corporate credit conditions and emerging market sovereign financing have remained relatively resilient. Equity markets

experienced periods of volatility as geopolitical tensions and concerns about stretched AI valuations weighed on technology shares. Pressure returned in the autumn due to higher oil prices and questions about the profitability and financing of AI investment. Corporate bond spreads widened but remained narrow by historical standards, while issuance in both investment-grade and high-yield segments remained robust, increasingly supporting AI-related capital expenditure. Foreign capital inflows into emerging market equity markets weakened, although investors continued to purchase emerging market sovereign debt. The US dollar appreciated modestly since the spring against a broad range of major advanced-economy currencies, including the euro, sterling and Japanese yen, supported by higher US yields and a more hawkish monetary policy outlook.

Overall, global GDP growth is expected to slow down in 2026 before rebounding in 2027 and stabilising in 2028. Global growth (excluding the EU) is forecast at 3.2% in 2026, slightly above 3.1% projected in spring, reflecting resilient activity in the first half of the year despite geopolitical tensions, trade-policy uncertainty and climate-related disruptions. Growth is expected to pick up to 3.6% in 2027, 0.1 pps. above the Spring 2026 Forecast, driven by a stronger expansion in EMEs, particularly in the Middle East, as energy markets normalise in line with the assumptions underpinning the forecast (see below). Emerging Asian economies are also expected to maintain robust high growth, supported by sustained AI-related demand. This acceleration in the EMEs is expected to offset the drag from tighter financial conditions and subdued activity in advanced economies. In 2028, global growth is projected to remain at 3.6%, with growth in advanced economies and EMEs holding broadly stable. In advanced economies, the drag from tighter financing conditions and a maturing AI investment cycle is expected to be offset by a recovery in real household incomes as energy prices normalise, together with sustained public investment in infrastructure and defence. In EMEs, continued domestic demand in emerging Asia, the lagged effects of monetary easing and ongoing investment in infrastructure and energy are expected to sustain activity, partly compensating for the fading impetus from the recovery in the Middle East.

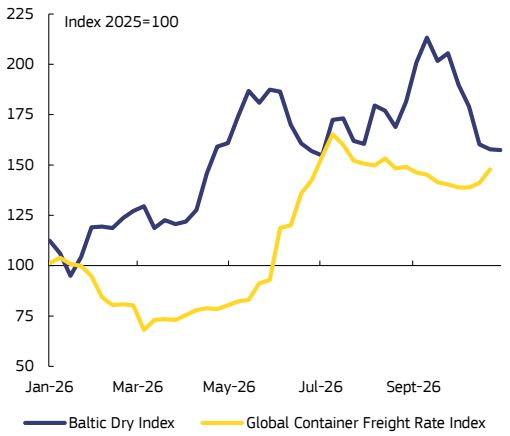
Despite the headwinds, global merchandise trade continued to expand at a strong pace thanks to tech-related products. Merchandise trade increased by 6% y-o-y during the first eight months of 2026 compared with the same period in 2025 (Graph I.2.3), with advanced, and emerging Asian economies driving the expansion and recording double-digit growth in both exports and imports. Strong trade in electronic components linked to the AI investment cycle more than offset the negative effects of the outbreak of the conflict in the Middle East. Despite accounting for only around 15% of global merchandise trade, AI-related goods contributed almost half of global goods trade growth in 2025, and their contribution increased further in the first half of 2026. The strength of global trade is especially noteworthy given that trade had already expanded rapidly in the first half of 2025, partly reflecting the frontloading of shipments ahead of the anticipated increases in US tariffs. US trade-weighted tariff rates have been hovering around 10.5% since February 2026, but the revenue-implied effective rates were around 3 pps. lower. This gap reflects implementation and collection lags, as well as changes in import patterns, including substitution and trade re-routing. Global services trade remained buoyant in the first half of 2026, supported by strong merchandise trade activity and continued robust demand for digitally deliverable services.

Graph I.2.3: **Growth in global goods trade**



Source: Own calculations based on CPB data.

Graph I.2.4: **Global freight indices**



Sources: Baltic Exchange and Freightos.

Disruptions at key trade chokepoints led supply chain pressures to increase markedly in 2026. The Global Supply Chain Pressure Index (GSCPI) of the Federal Reserve Bank of New York, measured in standard deviations relative to its long-term average, increased from -0.12 in November 2025 to 1.84 in April 2026, its highest level since the summer of 2022, before easing to 1.2 in August but edging up again in September. The increase reflected the reduction in traffic through the Strait of Hormuz, repeated typhoon-related disruptions at major Asian ports and the historically low water levels in European rivers. The outlook for supply chain disruptions remains highly uncertain: disruptions to traffic through the Strait of Hormuz have intensified in the last few weeks, while risks have also increased around the Bab el-Mandeb Strait, the Red Sea and the Black Sea. Against this backdrop, global shipping costs have remained volatile. The Freightos Global Container Freight Index reached its highest level since January 2025 in July before easing as the seasonal peak in container-shipping demand faded (Graph I.2.4.). Nevertheless, in October it remained about 47% above its 2025 average, partly reflecting persistent port congestion and higher fuel costs. Dry-bulk freight costs also surged in 2026, amidst weather-related disruptions and tightened vessel availability, pushing the Baltic Dry Index to a five-year high in September. The index subsequently corrected markedly but remained about 47% above its 2025 average.

The trade-weighted average US tariff rates have increased over the summer, and further hikes may be expected. Following the expiry of the temporary 10% tariff regime imposed under Section 122 of the Trade Act of 1974 in July 2026 (which were introduced for 150 days after the Supreme Court struck down the IEEPA tariffs in February 2026), the US administration re-established the tariff regime under an alternative legal basis. Following investigations conducted under Section 301 of the Trade Act of 1974, the US imposed 10% or 12.5% tariffs on most trading partners, on the grounds that they had failed to take sufficient measures to prevent forced labour in supply chains. Changes in country-level trade-weighted average tariff rates have remained relatively limited, mostly within 1 pp., except for Brazil and Canada. Brazil faced a large tariff hike from July, while certain Canadian imports are subject to additional 50% tariffs since August, imposed under a new legal basis (Section 338 of the Tariff Act of 1930). This prompted retaliatory measures from Canada. By contrast, the trade-weighted average tariff rates for the EU edged down. Overall, the US trade-weighted average tariff rate increased from 10.3% in April to 10.6% by September. Trade policy uncertainty remains elevated. Further tariff rate increases cannot be ruled out as the US administration has repeatedly stated its intention to restore effective tariff rates to levels broadly comparable with the "Liberation day"' IEEPA tariffs.

Despite lingering trade policy uncertainty, global trade is projected to expand at a robust pace over the forecast horizon, supported by strong demand for AI-related goods. As major US and global technology companies continue to massively scale up their

investment plans, AI hardware and infrastructure are set to provide strong impetus to global trade over the forecast horizon. In spite of elevated trade policy uncertainty and ongoing geopolitical tensions, global trade (excluding the EU) growth is forecast at 4.3% in 2026 (1.9 pps. higher than projected in the Spring 2026 Forecast). This also reflects stronger-than-expected trade developments in the first half of the year. In 2027, the strengthening of global economic activity and the assumed easing of supply chain constraints are set to provide additional global trade momentum, further offsetting the negative impacts of protracted geopolitical tensions. Global trade growth (excluding the EU) is forecast to accelerate to 4.9% in 2027 but to moderate to 3.7% in 2028 as the pace of global AI investment growth is projected to slow after several years of exceptionally buoyant expansion. Systemic trade frictions, risks to vital shipping corridors and continuous tariff pressures are expected to lead to an increasingly fractured and uneven regional trade performance.

Table I.2.1: **International environment**

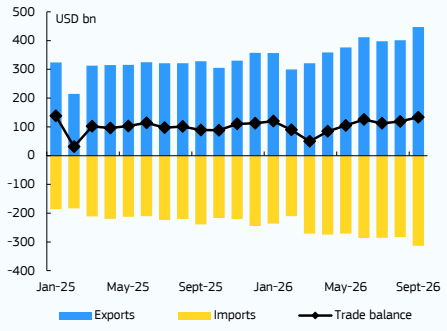
(Annual percentage change)					Autumn 2026 Forecast			*Spring 2026 Forecast*		
	(a)	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	***2025***	***2026***	***2027***
					Real GDP growth					
Japan	3.3	0.9	0.1	1.2	**0.9**	**0.7**	**0.6**	*1.2*	*0.6*	*0.6*
United Kingdom	2.2	0.4	1.1	1.2	**1.3**	**1.2**	**1.4**	*1.4*	*0.7*	*1.2*
United States	14.6	2.9	3.0	2.3	**2.3**	**2.1**	**2.0**	*2.1*	*2.2*	*2.1*
Emerging and developing Asia	35.7	5.4	5.4	5.5	**5.0**	**4.9**	**4.9**	*5.5*	*4.6*	*4.9*
- China	19.6	5.4	5.0	5.0	**4.5**	**4.4**	**4.3**	*5.0*	*4.5*	*4.4*
- India	8.2	7.3	7.2	7.8	**6.9**	**6.7**	**6.9**	*7.6*	*6.1*	*6.4*
Latin America	4.7	2.2	2.2	2.4	**2.1**	**2.3**	**2.5**	*2.3*	*2.1*	*2.2*
- Brazil	2.4	3.2	3.4	2.3	**2.1**	**1.8**	**1.9**	*2.3*	*2.0*	*1.8*
MENA	5.7	2.5	2.9	2.7	**-2.2**	**6.2**	**4.6**	*3.1*	*0.9*	*4.4*
Eastern Neighbourhood and Central Asia	1.1	5.0	5.3	5.4	**4.7**	**4.3**	**4.0**	*5.4*	*4.1*	*4.0*
Russia	3.4	4.1	4.9	1.0	**0.6**	**0.6**	**0.9**	*1.0*	*1.3*	*1.1*
Sub-Saharan Africa	3.7	2.6	3.6	4.2	**4.3**	**4.5**	**4.4**	*4.2*	*4.1*	*4.3*
Candidate Countries	2.4	4.9	3.6	3.4	**2.6**	**3.1**	**3.8**	*3.3*	*2.8*	*4.0*
World excluding EU	86.0	3.7	3.9	3.8	**3.2**	**3.6**	**3.6**	*3.7*	*3.1*	*3.5*
World	100.0	3.3	3.5	3.4	**3.0**	**3.3**	**3.3**	*3.4*	*2.8*	*3.2*
					Trade of goods and services, volumes					
World excluding EU		1.6	5.0	5.7	**4.3**	**4.9**	**3.7**	*4.8*	*2.4*	*3.4*
World		0.8	3.9	4.8	**4.0**	**4.3**	**3.3**	*4.3*	*2.1*	*3.0*
					Trade of goods, volumes					
World excluding EU		-0.4	4.3	5.9	**4.9**	**5.3**	**3.7**	*5.3*	*2.3*	*3.5*
World		-1.1	3.0	5.0	**4.5**	**4.6**	**3.3**	*4.7*	*1.9*	*3.1*
					Trade of services, volumes					
World excluding EU		9.8	8.0	5.3	**2.3**	**3.5**	**3.6**	*3.4*	*2.6*	*3.1*
World		7.6	6.8	4.3	**2.5**	**3.2**	**3.2**	*3.0*	*2.3*	*2.9*

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

Box I.2.1: China's export and import performance amidst escalating US-China trade tensions

China's merchandise trade developments so far point to a new record surplus in 2026. In 2025, China's exports in value terms rose by 5.5% to a record USD 3.77 trillion, while imports were broadly unchanged at USD 2.58 trillion. The trade surplus expanded by 19.8%, to USD 1.19 trillion, exceeding USD 1 trillion for the first time. This imbalance has been supported by China's manufacturing competitiveness, aggressive industrial policy and cost advantages, against the backdrop of subdued domestic demand and weak import growth. In 2026, nominal exports accelerated substantially, growing by 36.3% y-o-y in September, to an all-time high of USD 447.2 billion. In the same month, the surplus widened by 50.5% y-o-y, to USD 133.5 billion, the fifth consecutive month above USD 100 billion (see Graph 1). At USD 938.1 billion, the surplus accrued so far this year puts China on track to surpass its 2025 record, further widening its already substantial contribution to global external imbalances.

Graph 1: **China's international trade of goods**

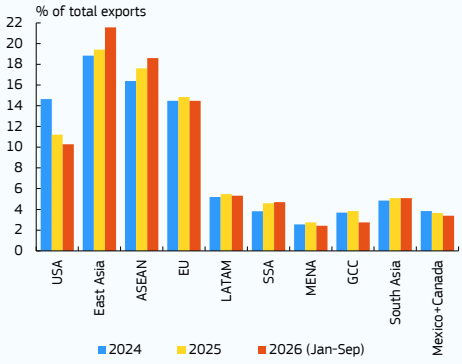


Source: Costums China.

China's export dynamism reflects swift adaptation to US trade policy changes, supported by trade re-routing and supply chain reconfiguration across Asia. In 2025, US importers front-loaded purchases ahead of the new tariff, temporarily supporting Chinese exports to the US. At the same time, an increasing share of Chinese goods reached the US via "connector" countries, particularly in Asia. This was accompanied by a gradual relocation of supply chains, as foreign multinationals adopted a "China +1" strategy – retaining operations in China while shifting part of their production to at least one other country, primarily in Asia. Chinese exporters also diversified their reach into emerging economies.

These developments altered the geographical configuration of Chinese exports. By destination, the US share fell sharply, from 14% in 2024 to 10.2% in the first nine months of 2026, while intra-regional trade, particularly with East Asia and ASEAN, gained prominence. Until the outbreak of the Middle East conflict, exports to Sub-Saharan Africa, South Asia, and the MENA region (including the Gulf Cooperating Council states) also accounted for a growing share of total shipments (see Gaph 2).

Graph 2: **Exports from China: regional shares**



Source: Customs China.

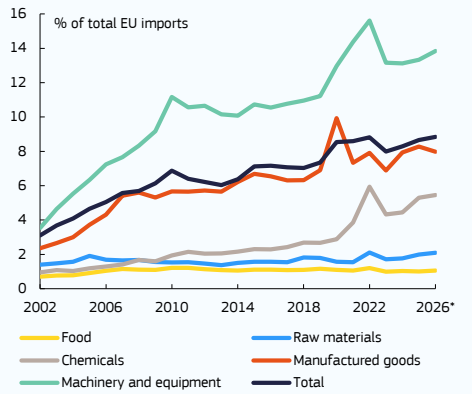
The evolution of direct trade flows between China and the US overstates the extent of their economic decoupling. This is because several economies in Asia, but also in Africa and Latin America act as connector hubs by taking over final assembly and late-stage production. Evidence in Lovely and Wan (2026) shows that Taiwan, Vietnam and Mexico have increased their shares of US imports, while simultaneously sourcing a growing share of their inputs from China. The same study finds that the Chinese value added embodied in total US imports has remained broadly stable despite the decline in bilateral trade. Thus, while China's export destinations have become more geographically diversified, Chinese inputs remain deeply embedded in goods ultimately absorbed by the US market.

(Continued on the next page)

Box (continued)

Trade re-routing towards the EU market does not appear to be part of the ongoing global reconfiguration of Chinese trade. The share of China in total EU imports has been on a steady upward trend for several decades, up from just around 3% in the early 2000s to 9.5% on average in the first eight months of 2026. Growth of import volumes [1] from China in 2025 and 2026 does not suggest a structural break from long-standing trends, though some sectors have seen strong acceleration. Notably, chemical import volumes have expanded at rates above 20% since 2021 per year, while vehicle imports accelerated from a roughly 20% average annual pace in 2021-2025 to more than 30% in the first eight months of 2026 (see Graph 3).

Graph 3: **Share of China in EU import by type of goods**



Technology and "new energy" products are increasingly important drivers of China's export growth to the EU. China's export growth in 2026 is concentrated in a relatively narrow group of products, notably AI-related and semiconductors, as well as "new energy" products: electric vehicles, solar panels and batteries. Together, AI-related and "new energy" products accounted for around 58% of China's export value gain in the first four months of the year. Rising prices account for part of the surge in China's export values, particularly within AI-related trade where semiconductor price increases have been an important driver. Overall, the recent acceleration in China's exports reflects a combination of stronger EU demand, higher prices and continued gains in market shares in selected technologically advanced manufacturing sectors.

Following the flat profile in 2025, Chinese imports rebounded strongly in 2026, reflecting the country's heavy import dependency for AI-related investments. September imports rose by 31% y-o-y to an all-time high of USD 313.7 billion. The composition of import growth points to strong demand for specific supply chain inputs: imports of electrical machinery and machinery and equipment - two of the largest contributors to import growth in the first nine months of the year - increased by 47% and 48%, respectively. These gains have been associated with AI-related inputs such as memory chips and other electronic components. China's role in the AI supply chain is concentrated less in the highest value chips and more in the electronic components, electrical and mechanical equipment used to build data centres. China thus remains a significant importer of higher value memory chips, which tend to be upstream inputs to this supply chain. The increase in AI-related imports therefore largely reflects China's position as a downstream integrator in the global AI supply chain.

China's import acceleration this year also reflects higher energy prices and a surge in gold purchases, while domestic demand remains weak. Energy and commodity purchases have contributed to the higher import bill, reflecting both higher prices and increased stockpiling, motivated by energy security considerations. Precious metals have been the fastest-growing import category, more than doubling between January and September. The prevalence of gold coins and bars rather than jewellery in this import surge points to investment and store-of-value motives. Overall, China's import rebound appears to be driven primarily by supply chain requirements, higher commodity prices and specific investment assets, rather than a broad-based recovery in domestic demand.

These recent developments build on longer-standing structural drivers. China has steadily upgraded its export structure towards more complex, knowledge-intensive products and moved upstream in global value chains, increasingly supplying inputs to production abroad (Growth Lab at Harvard University, 2024; ADB, 2026). Prolonged domestic deflation has driven the substantial real

[1] EU imports from China are better analysed in volume terms, as falling import prices (unit values) since 2023 mean that import values understate the magnitude of expansion.

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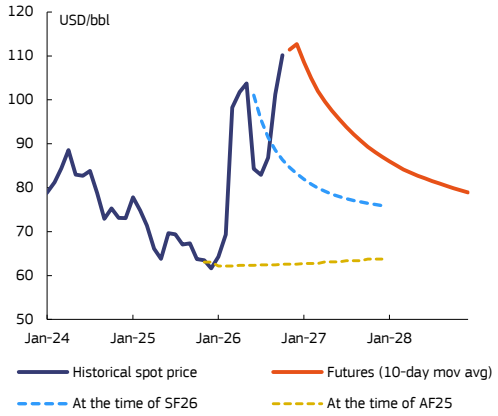
Box (continued)

effective depreciation of the renminbi since 2020, strengthening Chinese producers' cost advantage. Sustained, state-supported investment in manufacturing has also created excess capacity that weak domestic demand cannot absorb, increasing the incentive to sell output abroad. At the same time, policies promoting the substitution of imported components with domestic alternatives have increased China's domestic value-added content and strengthened its position in global value chains. Together, these developments reinforce China's manufacturing competitiveness, while fuelling growing concerns over the global distribution of production capacity.

3. ENERGY AND COMMODITY MARKETS

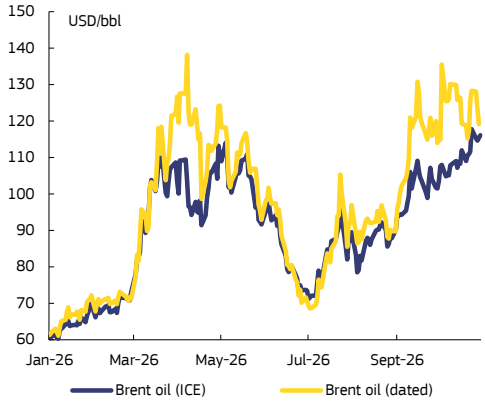
After subsiding in early summer, oil prices have been on the rise since July and are now back to the highs reached just after the outbreak of the conflict in the Middle East. The closure of the Strait of Hormuz, following US and Israeli strikes on Iran in late February, disrupted global oil supplies and pushed prices markedly higher. Prices eased over the summer, as supply was partially redirected and market concerns over the immediate shortfall abated, before rising again following the breakdown of peace negotiations on 8 July. Front-month Brent futures prices, commonly used as a proxy for spot prices, increased from an average of USD 84/bbl in July to USD 88/bbl in August (see Graph I.3.1). Following renewed military confrontation, attacks on tankers and Houthi strikes against Saudi energy infrastructure, prices surged to 100–110 USD/bbl in September and October, close to their peaks in late April. Despite the prolonged disruption to shipping through the Strait of Hormuz, the increase in crude prices has remained relatively contained. This partly reflects efforts to maintain and reroute deliveries, including through increased use of pipelines and overland bypasses, ship-to-ship transfers and, for some cargoes, the passage through the Strait under US military escort. Alternative sources of supply and continued releases from strategic oil reserves, coordinated by the International Energy Agency (IEA), further cushioned the supply losses. At the same time, higher prices and supply disruptions have weighed on oil demand, limiting the pressure on prices. The IEA reported contractions of 5 mb/d y-o-y in 2026-Q2 and 3.7 mb/d y-o-y in 2026-Q3, and projected that global demand would fall annually by 2.6 mb/d to 102.4 mb/d. China in particular registered a strong reduction in oil demand following supply disruptions, partially thanks to a rapid shift to electric vehicles. For 2026 as a whole, OPEC expects oil demand to decline relative to 2025 in both China and OECD Europe by 0.06 mb/d and 0.19 mb/d respectively. By contrast, demand is expected to increase in the US by 0.17 mb/d.

Graph I.3.1: **Brent oil spot and futures prices**



Sources: ICE, Macrobond Financial AB..

Graph I.3.2: **Crude oil, historic Brent vs Brent-dated prices**



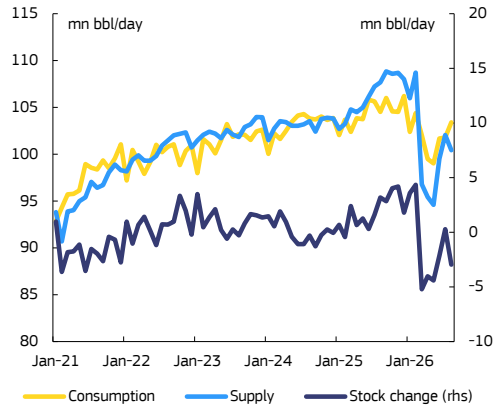
Sources: ICE, Macrobond Financial AB.

Futures indicate that market conditions are expected to gradually ease over the forecast horizon. Markets still price average Brent futures at around 118 USD/bbl in the fourth quarter of 2026, before they decline rapidly to around 88 USD/bbl in the final quarter of 2027, substantially above the assumptions in spring of 76 USD/bbl. Subsequently, they are expected to ease towards around 80 USD/bbl by the fourth quarter of 2028. The oil futures curve has remained in backwardation since the outbreak of the war, reflecting expectations that supply from the Middle East would normalise relatively quickly. However, as the conflict persists and the prospect of a resolution is repeatedly pushed back, the anticipated easing of supply constraints is continually deferred.

The price of oil paid by refineries has risen well above the spot price benchmark. The spread between Dated Brent (a key benchmark for oil prices at delivery in Northwestern Europe) and front-month Brent widened to around 30 USD/bbl in the beginning of October but narrowed by end-October, up from a pre-war narrow band of +/- 2 USD/bbls. (Graph I.3.2) The increase reflects a significantly higher premium to immediate physical availability. Yet, even the Dated Brent does not capture the full cost of delivery to buyers, but only the cost of crude itself. Shipping costs, which typically make up a small share of the oil price, have soared. By mid-October, the cost of shipping crude from the Middle East Gulf to Asia on a large tanker had risen to over 37 USD/bbl, more than five times its pre-war level, while shipping from West Africa to Europe on a Suezmax cost more than 22 USD/bbl, more than four times higher (IEA, 2026). This implies that the front-month Brent price is increasingly a weak proxy for the total effective cost of imported oil.

High feedstock prices combined with bottlenecks in refining capacity have pushed up the prices of oil products to historically high levels. With much of the Gulf's refining capacity cut off from international markets and refineries elsewhere often left to process less suitable substitute crudes, the supply of key refined products is constrained. This is further compounded by disruptions to Russia's refining capacity in the context of the ongoing conflict (Graph I.3.3 and Graph I.3.4). Refining margins—the difference between the cost of crude oil and the market value of the refined petroleum products produced from it—have consequently surged, with the Brent 3-2-1 crack spread (a benchmark measuring the profit margin from refining three barrels of crude oil to two barrels of gasoline and one barrel of diesel) rising to USD 57/bbl in September, more than 230% above its February 2026 level [(1)]. Although it has eased somewhat since then, it remains very high. In October, the wholesale price of diesel averaged USD 193/bbl, more than double its level a year earlier. Jet fuel prices rose by a similar magnitude, while petrol reached USD 136/bbl—up more than 70% y-o-y. Futures prices point to a decline in refining margins over the forecast horizon, with some seasonal fluctuations. However, the 3-2-1 crack spread is projected to remain around USD 24/bbl in the fourth quarter of 2028, about 30% above its 2024–25 average. This persistence suggests that refined product prices are being driven not only by crude supply shortages, but also by persistent constraints in refining capacity. Gasoline and gasoil/diesel futures likewise remain in backwardation, reflecting expectations of an easing of current supply pressures. Nevertheless, prices are expected to remain above their pre-conflict levels throughout the forecast horizon.

Graph I.3.3: **Global crude oil and petroleum products' stock change**



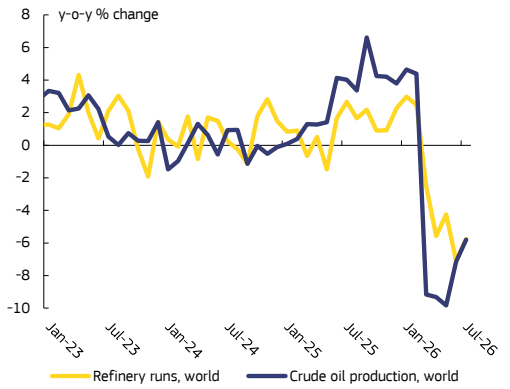
Source: Energy Information Administration.

Strategic reserve releases are cushioning the loss of supply. Under the IEA's March 2026 Collective Action—the largest emergency oil stock release in the agency's history—around 330 million barrels had been released by mid-October, out of an initial commitment of 400 million barrels. Against the backdrop of continued market tightness, particularly in diesel, IEA members agreed on 7 October to accelerate the outstanding releases, building on the G7 Leaders' Statement of 2 October. The IEA Governing Board confirmed this commitment on 15 October, including plans to bring forward the release of more than 20 million barrels of diesel. As some members have already released, or intend to release, more than initially pledged, total release volumes are expected to exceed 400 million barrels. In addition, the IEA encouraged members

(1) The rising crack spread during this crisis is partly a composition effect — the wedge between "benchmark FOB crude" and "actual CIF feedstock cost" widens mechanically whenever supply disruption push up the price for immediate delivery and freight and insurance costs spike, The apparent refining margin – proxied by the crack spread – largely overstates profit margin in refining.

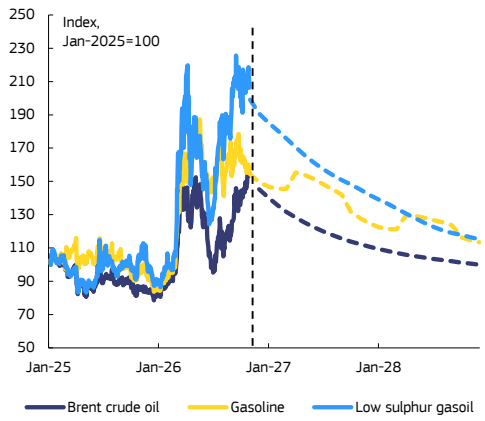
with oil production and refining capacity to increase the supply of crude oil and refined products, particularly diesel (for an analysis of the role of strategic reserves in the oil market, see Box I.3.1).

Graph I.3.4: **Crude oil production vs refinery crude runs**



Source: International Energy Agency.

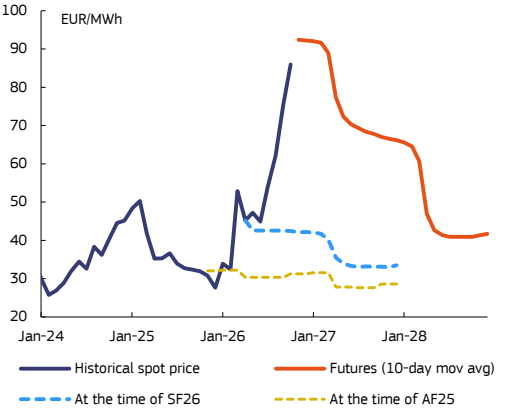
Graph I.3.5: **Brent oil and oil product spot and futures prices**



Source: ICE, Macrobond Financial AB.

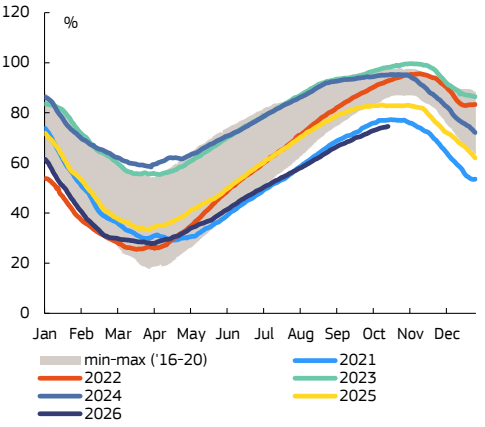
Global LNG supply remains tight as exports from the Gulf face difficulties bypassing the closure of the Strait of Hormuz. LNG supply is less flexible than oil supply and more geographically concentrated, making it particularly vulnerable to disruptions along key shipping routes. Unlike crude oil, which can be partly rerouted through pipelines and overland bypasses, LNG exports depend on specialised liquefaction facilities and LNG carriers, with limited scope for alternative transport routes. Qatar alone accounted for around 20% of global LNG exports before the conflict, virtually all of which transited the Strait of Hormuz. Following the outbreak of hostilities, LNG production was curtailed, disrupting deliveries to international markets. Additional supply from other producers and new capacity coming on stream elsewhere has only partly offset the shortfall, as existing facilities have limited scope to increase output in the short term and new capacity takes time to ramp up.

Graph I.3.6: **TTF gas spot and futures prices**



Source: ICE.

Graph I.3.7: **European gas storage level**



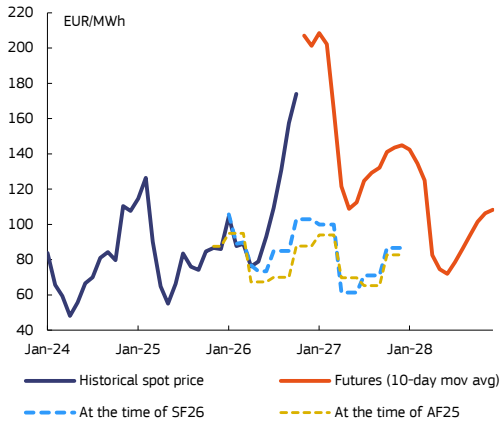
Source: Gas Infrastructure Europe.

European TTF gas spot and futures prices have increased notably since spring. The European TTF gas price rose rapidly from around 30 EUR/MWh in late February to an average of 85 EUR/MWh in October, closing the month just above 100 EUR/MWh (see Graph I.3.6). Futures are significantly higher than in spring, particularly for this year: on average, they are around 110% higher in the fourth quarter of 2026 and 109% higher in 2027. However, they are still expected to

decline rapidly in 2027, reaching 66 EUR/MWh at end-2027, compared to 33 EUR/MWh expected in spring. A steep drop is expected by mid-2027 as more global LNG supply comes online. In 2028, the TTF gas benchmark is expected to average 47 EUR/MWh. The premium of JKM—the main benchmark price for spot LNG delivered to Northeast Asia—over TTF, which signals the incentive to divert flexible cargoes to Asia, remained narrow in October. Both benchmarks rose together to levels last seen in late 2022, so Europe is competing directly with Asia for cargoes. EU gas storage stood at 75% at end-October, about 15 pps. below the five-year average and the lowest level for the season since records began in 2011 (compared to 83% in 2025, see Graph I.3.7). The low aggregate storage ratio must be seen against the backdrop of materially lower gas demand—down almost 20% over the past 5 years. At the same time, the aggregate storage level conceals local vulnerabilities, as low storage in parts of the network can constrain the ability to meet demand locally, with resulting supply pressures propagating across interconnected markets (see Box I.3.1).

Electricity prices also surged well above expectations in spring, pushed up by higher gas prices and weather-related shocks. The surge in wholesale electricity prices partly reflects the impact of last summer's extreme weather events. Severe heatwaves boosted electricity demand for cooling, while widespread droughts hindered hydropower generation and curtailed cooling water availability for nuclear plants. This has strengthened the spillover from high gas prices into electricity prices in some European electricity markets. The German day ahead baseload prices—the benchmark for the region—increased from an average of 106 EUR/MWh in July to 167 EUR/MWh in October, which is 85% above the price in October 2025. The outlook is for sustained high prices throughout winter, peaking in January 2027 at around 210 EUR/MWh, some 90% above January 2026 average prices. The outlook continues to point to moderation, in lockstep with developments in the gas market, although likewise expected to remain above pre-war levels over the forecast horizon.

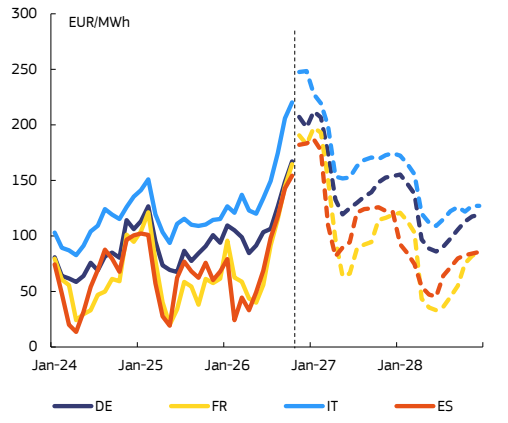
Graph I.3.8: **Electricity spot and futures prices in EU**



Electricity prices in EU are estimates as GDP weighted average of prices in DE, FR, IT, ES, NL, BE, and at the SF26 also AT.

Source: ICE.

Graph I.3.9: **Electricity prices across Member States**

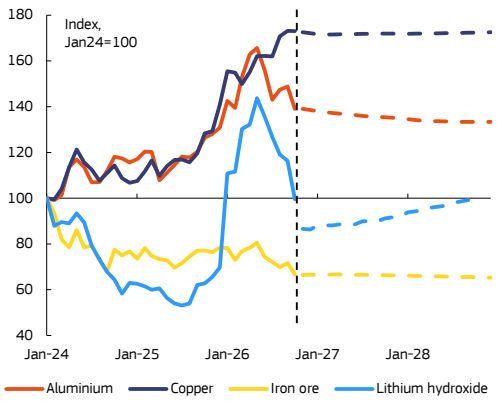


Source: ICE.

Differences in electricity futures remain substantial across the EU, with Germany and Italy showing significantly higher prices throughout the forecast horizon. In October, wholesale electricity prices (front-month baseload) averaged 220 EUR/MWh in Italy—45%, 35% and 30% above the corresponding prices in the integrated Iberian market (MIBEL), France and Germany respectively. Other sub-regional benchmarks traded in this range. The sharp differences reflect, to a large extent, past investment in renewable energy and/or nuclear, both of which reduce the reliance on gas for power generation. Over the forecast horizon, Italian wholesale electricity prices trade on average around 60% above corresponding Iberian futures.

Industrial metals prices broadly increased year-on-year, amid diverging developments between metals linked to construction and those linked to AI and the broader electrification investment cycle. Prices have been retreating for iron ore in recent months, and its futures curve is in backwardation over the forecast horizon (see Graph I.3.10). Aluminium prices have eased in recent months and futures are slightly tilted towards backwardation, as weakness in construction is partly offset by higher power costs for this electricity-intensive metal, supply disruptions linked to the Middle East conflict and robust demand from other sectors. Copper is benefitting from both electrification and AI investment, with gains year-on-year and in recent months, although its futures curve is essentially flat over the forecast horizon. Lithium prices have also risen recently, and lithium hydroxide futures are tilted to the upside, reflecting anticipated battery demand. Disruptions to Gulf supply of sulphur, a by-product of gas processing and oil refining, add to cost pressures, as it is used to produce the sulphuric acid needed for copper leaching and lithium refining.

Graph I.3.10: **Metal products prices**

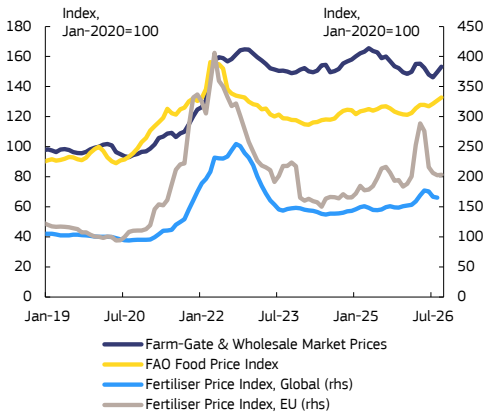


Sources: London Metal Exchange (LME), Singapore Exchange.

Agricultural production is facing higher input costs, adverse weather conditions and supply disruptions in key producing regions. Beyond the surge in energy prices, agricultural production is being hit by a sharp rise in fertiliser prices, driven by the disruption of supply from the Gulf—a key global producer—as well as higher gas prices. After surging in March and April, the World Bank Fertiliser Index eased back to pre-crisis levels and is now slightly below the level of the previous year. This composite headline glosses over some heterogeneity, as urea prices have fallen markedly since spring while phosphate prices stayed considerably firmer. Producer prices in the EU, however, have followed different dynamics, and while the pre-summer spike was more contained, current prices are still well-above previous year's level. The rise in fertiliser prices compared to last year is expected to have a lagged impact on food prices next year, as farmers switch crops or reduce application rates, with an impact on yields. Logistical constraints in the Black Sea—a major global agricultural hub—linked to Russia's war of aggression against Ukraine continue to weigh on trade, especially of grains. Finally, this summer's extreme temperatures and droughts have reduced European production, while the strengthening El Niño is weighing on the output of major staple commodities. The World Meteorological Organization warned that the current El Niño event could be unprecedented in strength. It is expected to peak towards the end of 2026 and persist until the first quarter of 2027. A strong El Niño increases the likelihood of significant shifts in temperature and rainfall patterns in many parts of the world, but especially around the tropics. In line with past episodes, this could lead to failed harvests and global food shortages that would weigh heavily on many developing economies and also exert additional upward pressures on some EU food imports.

World food commodity prices have been rising since early 2026, and farm-gate prices in the euro area have picked up recently. After declining in the second half of 2025, the FAO food price index trended upwards in the first half of this year and continued to rise in late summer, edging up by 1.5% m-o-m in September to stand 5.8% above its level a year earlier (see Graph I.3.11). The increase was driven by cereals, vegetable oils and sugar, while the price for meat eased and for dairy it was broadly stable on the month. The FAO dairy index nonetheless stood 19.1% below its level a year earlier. The ECB farm-gate and wholesale price index is a closer gauge of food commodity prices in the euro area, with a larger weight on more perishable products, such as meat and dairy. It declined from its April 2025 peak and recorded a further decline between May and July this year. It then rebounded by around 2.4% m-o-m in both August and September, but remained 2.3% below its level a year earlier, due to lower meat and dairy prices.

Graph I.3.11: **Food and fertiliser prices**



Sources: World Bank, ECB.

Futures point to elevated food commodity prices in 2027 and some easing towards 2028. Curves for most traded products have shifted up since spring. Wheat futures are 10% above the spring assumptions for 2026-Q4 and 4% above for 2027, and the curve is broadly flat, implying a 2027 average around 8% above 2026. Soya meal, cocoa, sugar and coffee show a similar upward shift with flat curves, while maize and rice are in backwardation, with declines mainly in 2028. Futures are, however, an imperfect guide to EU food prices. They do not cover meat and dairy, which dominate EU farm-gate prices and depend more on feed, input costs and weather. Higher energy costs, fertiliser prices still well above last year's levels and the lagged effects of the summer's heat and drought are set to push farm-gate prices up in the coming quarters.

Box I.3.1: **Oil reserves, gas storage and the resilience of energy markets**

Oil reserves and gas storage support market resilience, with oil reserves acting as an emergency buffer, while gas storage provides flexibility in normal operations. Strategic oil reserves are a buffer against severe supply disruptions: when released, they can temporarily offset a physical shortfall in supply. By contrast, gas storage is part of the normal functioning of the European gas market, providing flexibility to accommodate seasonal demand and other short-term fluctuations in supply and demand. Gas storage therefore helps the system absorb shocks over time, reducing their impact on prices and on security of supply. This box sets out these differences and their implications for the resilience of energy markets going forward.

The crude oil market is deep, liquid and globally integrated, allowing supply to adjust to disruptions. Although the global oil market is commonly treated as a single entity, it comprises several connected markets, notably for crude oil and for refined products. Crude oil production is geographically diversified, and crude grades are to some extent substitutable as refinery feedstock, albeit with technical constraints and significant costs. Moreover, though rerouting can be costly, as freight rates become significant when transit risk increases, a large and flexible tanker fleet allows crude to be redirected towards markets where it is most highly valued. Crude prices therefore adjust within a comparatively liquid global market, and crude trades within a narrower price range than other energy commodities like gas or coal. However, the oil market is not immune to volatility: price swings are inherent to the low responsiveness—or inelasticity—of both supply and demand to price changes in the short run. Extraction and transport infrastructure is fixed in the near term, so new supply takes years to develop. This responsiveness has nonetheless increased: before the shale oil revolution, crude supply was concentrated in low-cost but capital-intensive, long lead-time sources, with limited scope to expand output quickly in response to price [(1)]. US shale oil, with its much shorter investment cycle, was the first large-scale source of such flexibility. Today a broader set of flexible, marginal producers—not concentrated in shale alone—limits price increases at the margin, narrowing that range further.

The supply of refined products is less flexible, constrained by greater segmentation, logistical frictions and refining capacity. Among fuels, refined products trade as at least three interdependent but distinct markets—gasoil, gasoline, and kerosene—each further segmented by regional product specification, blending requirements and delivery infrastructure. These markets are therefore thinner and less liquid than the market for crude, limiting the scope for trade to arbitrage for local shortages. This relatively low depth and liquidity in the downstream market compounds with greater logistical frictions. Bringing new refining capacity online typically takes several years. Moreover, although existing refineries can process a range of crude grades and adjust their product mix, doing so can entail significant losses in efficiency or yield, and this flexibility is particularly limited when refineries are operating close to full capacity. A disruption to refining capacity can therefore create a persistent shortage of products even when crude supplies remain available, with adjustment relying instead on trade, inventory drawdowns, changes in refinery utilisation and, ultimately, demand adjustment. Demand elasticity plays a role too: it is probably less inelastic than once estimated and its elasticity has likely increased further in the medium term as alternatives to the internal combustion engine become more widespread [(2)].

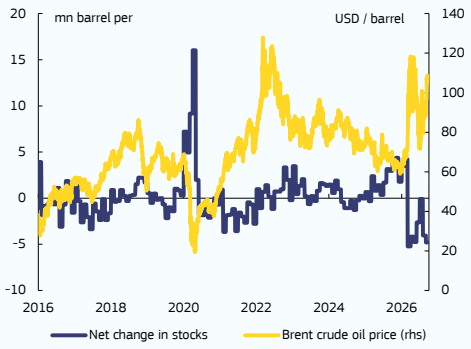
(1) Empirical estimates confirm a substantial rise in the response of US crude supply to price since the shale revolution. Newell and Prest (2019) estimate that the aggregate supply response is around thirteen times larger than in the pre-shale era.

(2) Better-identified estimates—using tax variation to separate price effects from income effects—put gasoline demand elasticity at -0.25 to -0.37 across the US, Japan and the EU (Coglianese, Davis, Kilian and Stock, 2017; Levin, Lewis and Wolak, 2017; Knittel and Tanaka, 2019; Aklilu, 2020), and diesel demand elasticity at around -0.3 across the OECD (Liddle and Huntington, 2020). Over a longer horizon, electric vehicles provide a further channel of adjustment: increases in gasoline prices stimulate EV adoption around 4–6 times more strongly than equivalent increases in electricity prices (Bushnell, Muehlegger and Rapson, 2022).

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Box (continued)

Graph 1: **Crude oil prices and global oil stock**



Source: Intercontinental Exchange, Energy Information Administration.

Strategic oil reserves play an important role in smoothening short-term supply disruptions. Reserves held by IEA members through the Agreement on an International Energy Programme [3] and by EU Member States under the Oil Stocks Directive are typically released as emergency drawdowns in response to a supply disruption. EU Member States should have emergency stocks equivalent to 90 days of net imports or 61 days of inland consumption, whichever is higher. The obligation of holding stock equivalent to 90 days of net imports applies to all net-importing IEA members. Though the US became a net exporter in 2020, it still holds substantial crude reserves (the Strategic Petroleum Reserve, SPR), generally released as the US contribution to wider IEA collective action. Recent IEA coordinated releases happened in 2011 (Libyan Civil War, 60 million barrels), in 2022 (Russia's full-scale invasion of Ukraine, 60 million barrels, of which 30 million from the SPR), and, at far greater scale, in 2026, following the closure of the Strait of Hormuz, when IEA members committed to release 400 million barrels - the largest coordinated release in IEA history (Graph 1). The release is still ongoing: in October, the G7 called for the remaining volumes under the March commitment to be released more quickly, with a substantial share of diesel front-loaded. While this was not a separate 100-million-barrel release on top of the original 400 million barrels, total releases may exceed that amount as some countries go beyond their initial pledges. By historical standards, reserves are now quite low, especially in the US, raising concerns about the capacity to absorb persisting supply disruptions [4].

Still, the composition of strategic reserves may not be well aligned with the current configuration of the global oil market. The reserve architecture was established largely as an insurance mechanism against the exceptional supply disruptions of the 1970s, when trade in refined products was limited and refining capacity concentrated next to final markets. Also, trade was mostly concentrated between the Middle East, North America and Europe, whereas Asia is by now the largest importer. That reserve architecture of the 1970s still carries over today: reserves remain weighted toward crude globally, in particular in the US and Japan. The composition in terms of crude and products is more balanced in Europe, and the EU average for emergency stocks is about 60% oil products and 40% crude. This adequacy, however, should be assessed against two further developments: an extended decline in European refining capacity, and a widening mismatch between where products are produced and where they are consumed, as regional refining specialisation has increased [5]. In

(3) Reserves are held and released under arrangements that vary considerably across countries. Three broad approaches can be distinguished: (1) government stocks, owned directly by the state and financed through the public budget (e.g. the US Strategic Petroleum Reserve), which can be released through government-directed sales or loans; (2) agency stocks, held by a dedicated public entity on behalf of either government or industry which can be released with government authorisation; and (3) mandated industry stocks, held directly by private operators under a minimum stockholding obligation set by governments, with release permitted by temporarily lowering that obligation (e.g. the model existing in several European Member States).

(4) Reported reserve volumes can overstate what is genuinely available to cushion a shock. Part of the constraint is technical. Crude reserves held in underground storage, including the geological formations used for the largest strategic holdings, cannot be withdrawn at a constant rate as volumes decline, so that the system approaches operational limits well before physical volumes reach zero. The operational limits are harder to define for mandated reserves, as a share of what is reported as commercial inventory constitutes working capital rather than a genuine buffer: the minimum volume of product that must remain in pipelines, storage tanks, and distribution networks for those networks to continue functioning at all. Therefore, reserves cannot be drawn down to the reported total without impairing the operation of the system that holds them.

(5) Reserves held under a mandated stockholding obligation, whether of crude or refined product, are considerably more difficult to track, since they may be commingled with the ordinary commercial inventory that operators hold for operational reasons. Tracking and composition concerns are accordingly more pronounced in the refined-product segment, which—unlike crude—cannot as readily be redirected or substituted across specifications.

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Box (continued)

particular, Europe faces a structural oversupply of petrol and a structural undersupply of diesel and, especially, jet fuel.

The growing role of LNG means Europe's gas market is now more affected by global demand and supply conditions. Gas markets have historically been more geographically segmented. Global LNG supply has grown rapidly over the past decade, while long-distance pipeline trade has stagnated or declined, notably after the sharp decline in Russian pipeline exports to Europe which followed Russia's invasion of Ukraine. This has increased the scope for gas to be redirected across regions and strengthened the links between regional gas markets. Competition for flexible LNG cargoes has driven greater convergence between global price benchmarks, such as the Japan-Korea Marker (JKM), the benchmark for Asia, and the Dutch Title Transfer Facility (TTF), Europe's benchmark.

Gas storage is an integral part of the European gas system. It performs several functions: it accommodates seasonal and short-term fluctuations in demand, provides physical flexibility by allowing gas to be stored close to consumption centres, including in less-connected parts of the network, and reduces the import and regasification capacity otherwise required to meet peak demand. It also provides intertemporal flexibility, allowing market participants to secure gas ahead of periods of anticipated tightness rather than relying on spot-market purchases at times of stress. These functions are particularly important in a market characterised by a physical network with finite capacity and limited connectivity, a supply base increasingly reliant on globally traded LNG rather than fixed-capacity pipelines, and the predominance of hub-based spot pricing [6]. Storage levels follow a pronounced seasonal pattern, typically filling from a spring low of around a fifth to a third of capacity to above 90% ahead of the winter heating season, before being drawn down again over the following months. Storage volumes do not fall to zero even at the point of maximum depletion: a portion of the gas in each facility—known as cushion gas—must remain in place to maintain the pressure needed for withdrawal. As storage levels decrease, the rate at which gas can be withdrawn declines well before the physical stock is exhausted.

Low storage compounds network constraints and can give rise to persistent supply-demand imbalances. In the gas market, meeting demand depends not only on the total volume of gas available, but on whether it can be delivered to the right location at the right time. In the absence of binding constraints, both supply and demand respond to price in the ordinary way, so that even a sizeable imbalance is absorbed through a moderate price adjustment, shared between buyers curbing demand and sellers releasing more gas. Under extreme congestion, however, this mechanism breaks down: the volume that can physically be delivered may be constrained irrespective of price incentives, and demand at the point of use may also be relatively unresponsive to price in the short term. Importantly, gas also feeds into industrial processes and electricity generation, which contributes to lower short-run demand elasticity [7]. As congestion becomes binding, the price increasingly reflects scarcity at the constrained location rather than the aggregate balance between supply and demand. With neither side responding materially to price at that margin, even a modest local imbalance can

(6) This configuration reflects both the legacy of the pipeline era, from which Europe inherited substantial underground storage capacity, and the particular geology of North-Western Europe, which is well suited to underground gas storage. The alternative model, adopted by major Asian importers, relies instead on long-term contracts that fix price and volume in advance, complemented by sufficient import capacity to receive contracted volumes when required. This latter model tends to be less flexible and more costly to maintain, since import capacity must be sized to meet peak rather than average demand.

(7) Evidence on short-run price elasticities suggests important differences across users. For residential consumers, Favero and Grossi (2023), using monthly billing data for natural-gas customers in Italy, estimate price elasticities of around −0.23 to −0.51. By contrast, Alpino et al. (2025), using the staggered expiry of fixed-price contracts to identify energy-price shocks for Italian industrial firms, find virtually no short-run response initially; gas demand only adjusts later, with the response particularly limited for gas-intensive producers. Their results also indicate that subsequent reductions in gas use reflect both input substitution and reductions in output. More broadly, Emiliozzi and Favero (2025) find that gas demand remains close to unresponsive during the first year following supply-driven price shocks, consistent with technological and contractual rigidities.

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Box (continued)

therefore require a disproportionately large price adjustment [8]. Storage is critical to the system's ability to absorb such constraints. Low storage can reduce withdrawal capacity and leave the system more exposed to local infrastructure bottlenecks, while imports, particularly pipeline supplies, cannot always be increased or redirected at short notice. The resulting adjustment may take the form of extreme prices, demand curtailment, or both. The contrasting price responses to broadly comparable tightenings of the European gas flow balance in the first and fourth quarters of 2021 illustrate how the storage position affects the market's ability to absorb shocks [9].

Local price pressures are transmitted across European markets via a de facto single, hub-based pricing system. European gas trades predominantly against one reference price, set by the TTF. Its influence extends beyond the physical infrastructure that underpins it. This dominance reflects the geographical centrality of the Dutch infrastructure, its dense entry points and storage capacity, and is reinforced by its elevated degree of financialisation [10]. As a result, other European virtual trading points (NBP, PSV, THE, PEG, ZTP) largely track TTF prices. Under hub-based pricing, scarcity at any point of the network shows up in the common reference price. This is an efficient feature of hub-based pricing, but tensions arise when the network is interconnected enough to transmit the marginal price signal, but not enough to relieve local demand-supply mismatches. This tension between a highly integrated financial architecture and an imperfectly connected infrastructure is mitigated by adequate storage, which reduces the risk that localised demand-supply imbalances are transmitted to the whole market. This transmission holds only as long as the network is not fully saturated: when it is, trading points can decouple, as occurred for much of 2022 (Fulwood, 2024), and the local shortage is no longer shared across the market, but borne locally. Such decoupling signals a severely stressed market, in which the network can no longer absorb further shocks. Where transmission does hold, it is not confined to Europe. Given the size of the European gas market, a rise in the TTF pulls up other benchmarks such as the JKM, as flexible LNG cargoes go to wherever prices are highest, as happened in 2021–22.

Private incentives to store gas may fall short of the value of storage for the system, thus creating a market failure. Some operators have an incentive to store gas only to the extent that the expected summer-to-winter price differential—or seasonal spread—justifies the cost and risks of holding it. Other operators are bound by contractual supply obligations and may face penalties if they fail to meet them. This is generally reflected by the continuous injection in summer, regardless of the price configuration. However, while the costs of holding gas are generally borne by the individual operators, the benefits of adequate aggregate storage are collective: a larger buffer reduces the probability of severe price volatility and limits the consequences of a supply disruption for the wider market. The individually optimal level of storage for market operators—utilities, gas suppliers, traders and large industrial consumers—may therefore result in an insufficient level of storage at system level. This is a standard market failure problem that creates a rationale for public intervention.

[8] Second-order responses can further amplify the effect: as the price rises in response to the constraint, operators holding gas have an incentive to delay releasing it in anticipation of a still higher price ahead, while buyers facing the same signal bid more aggressively to secure supply before being rationed—reinforcing the very price rise that prompted it. The resulting price reflects the cost of securing the marginal deliverable unit at that moment, rather than the average scarcity of gas supply across the market. Oliver et al. (2014) formalise this logic for US pipeline networks, showing that as congestion between two points rises, the scarcity value of transmission capacity itself drives a wedge between their spot prices—and that storage mitigates this effect by allowing intertemporal substitution of transmission services.

[9] In 2021-Q1, a tightening of the flow balance of around 202 MMcm/d (relative to 2019-Q1) left TTF prices largely unresponsive, as European storage was almost full at the start of the 2020-21 winter. Weak injections over the following two quarters left storage at around 77.5 Bcm by end-September—roughly 8 Bcm below the pre-2019 average—eroding the buffer available to absorb further shocks. By 2021-Q4, a broadly comparable tightening of the flow balance, around 238 MMcm/d, coincided with a far sharper price response, as the depleted storage position left the market little slack to absorb it (Fulwood, 2022).

[10] This in turn increases the risk of financial contagion. Market participants that have hedged their positions can face substantial demands for additional collateral as prices move sharply against those positions. Firms can therefore face acute liquidity pressure even where their underlying physical supply position remains adequate. A related channel operates in the opposite direction: because the relevant futures contract settles by physical delivery rather than in cash, positions held by participants without a genuine physical stake must be closed out ahead of expiry, and the closing out of a short position, as prices move against it, can itself add to upward price pressure independently of any change in the underlying physical balance.

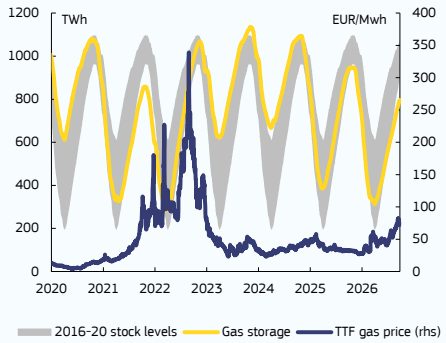
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Mandatory filling targets help internalise the system value of storage, though enforcement and compliance is not uniform across Member States, which can lead to gas aggregate storage levels falling below adequate levels – as indeed currently the case (Graph 2). This provides a rationale for a robust coordinated governance framework, with mandatory filling targets helping to ensure that adequate storage levels are maintained to safeguard the smooth functioning of the gas market and the security of gas supply.

Ultimately, both oil reserves and gas storage are key in market resilience, underscoring the importance of ensuring their adequate level, composition and governance framework. The role of policy is to ensure that strategic reserves are of appropriate size and composition, and promptly accessible and usable, while allowing prices to fulfil their role in allocating scarce supply and encouraging adjustment in demand. In this respect, policy measures at the time of a supply disruption should avoid suppressing the price signal. Inadequate storage in the European gas market amplifies potential network congestion, which can in turn prevent the orderly functioning of the market even under normal global supply conditions. The role of policy is therefore to ensure storage levels remain adequate through appropriate governance, making use of existing import and network capacity. The price signal remains key to allocate scarce LNG supply across regions and–under normal congestion–within the European gas market. At extreme degrees of congestion, however, prices stop performing this function, making measures such as the EU's 2022 price cap [11] or joint purchasing arrangements (including the EU Energy Platform's AggregateEU mechanism) become relevant policy considerations [12].

Graph 2: **Gas stock in Europe and LNG gas prices**



Data on stock of natural gas cover 25 European countries associated in Gas Infrastructure Europe.
Source: Gas Infrastructure Europe, Intercontinental Exchange.

In the long term, energy transition remains key. Building new refining capacity in response to a temporary disruption is not necessarily warranted, just as expanding gas import and network capacity is difficult to justify given the expected long-term decline in gas demand. For refining specifically, this assessment rests on the assumption that current bottlenecks remain temporary rather than structural, and that the oil market retains its globalised character rather than fragmenting along regional lines. More broadly, in an international environment set to remain geopolitically challenging, reducing structural dependence on imported fossil fuels through a continued shift towards domestically produced low-carbon energy is not only a climate objective but also a matter of economic security and macroeconomic stability. A massive shift towards electrification, meanwhile, brings its own challenges: electricity networks require substantial investment to be repowered, expanded and digitalised to absorb increasing volumes of electricity and handle more volatile supply conditions.

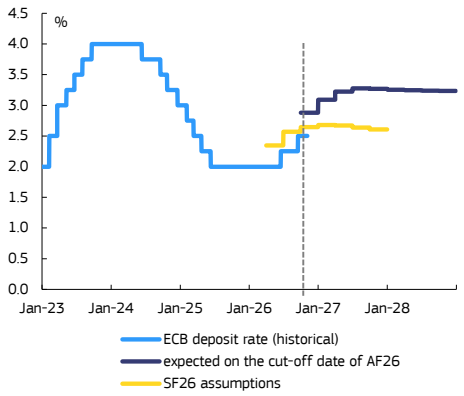
(11) This is the Market Correction Mechanism, in force from 2023 until 31 January 2025 and never activated, which could be triggered by a TTF front-month price above €180/MWh and at least €35/MWh above an LNG reference price computed across different European delivery points, both sustained for three consecutive working days.

(12) The two differ in kind: the former intervenes directly on the price signal itself, the latter coordinates demand

4. FINANCIAL CONDITIONS IN THE EU

The European Central Bank (ECB) and most other EU monetary authorities embarked on a new path of monetary policy tightening since the Spring 2026 Forecast. The ECB's deposit rates had remained unchanged at 2.0% following the completion of the previous tightening cycle in June 2025. As inflationary pressures mounted, the ECB raised its policy rates again, by 25 bps. last June and by a further 25 bps. in September. At the cut-off date of this forecast, markets expected the ECB to tighten further, with the deposit rate rising by around 75 bps. by the end of summer 2027, to around 3.3%. This is some 70 bps. above the level implied in the Spring 2026 Forecast (see Graph I.4.1). Financial markets were also pricing in further policy rate increases in most non-euro-area Member States.

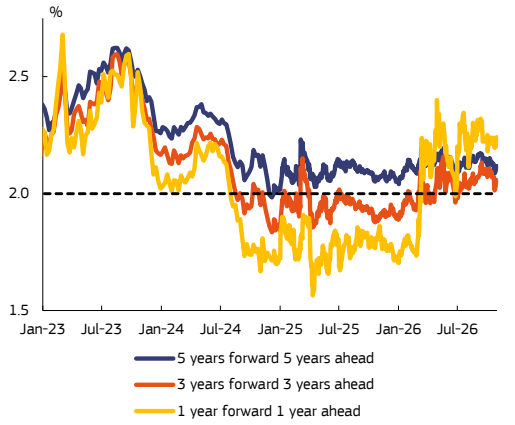
Graph I.4.1: **Short-term interest rate expectations**



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

Euro area inflation expectations remain anchored, reflecting markets confidence in the ECB's ability to restore price stability. While shorter-term inflation expectations have increased, according to both markets and consumers, markets' longer-term inflation expectations have remained broadly unchanged at close to 2%. The gap between short- and medium-term inflation expectations is consistent with markets' expectation of a waning inflation shock (see Graph I.4.2.)

Graph I.4.2: **Market based inflation expectations**

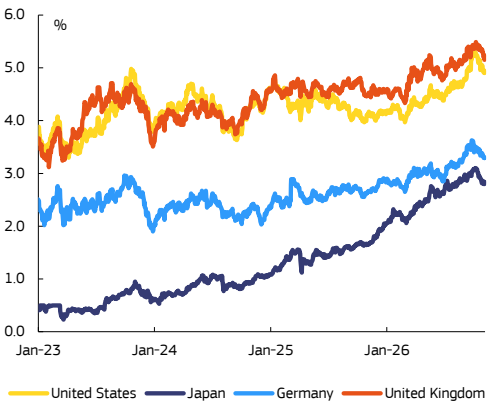


Source: Bloomberg.

Long-term sovereign bond yields have increased over the summer. In September, yields reached their highest levels in the post-COVID-19 period. The 10-year German Bund yield peaked at 3.65% at the end of September before gradually declining to close to 3.3% by the cut-off date. This is still 30 bps. higher than at the time of the Spring 2026 Forecast. The US equivalent yield displayed a similar pattern, rising from 4.4% in spring to a peak of 5.3% at the end of September, before falling back to 4.9% at the end of October. Yields have also increased since spring in other advanced economies, including the United Kingdom and Japan (see Graph I.4.3).

The repricing of government bonds reflects a combination of interconnected factors. According to a model-based decomposition (see Box I.4.1), the drivers of rising long-term rates include the effect of the short-term rise in inflation and the expected monetary policy response, as well as the widening gap between supply and demand of bonds, especially at long maturities. The large volume of expected government and corporate long-term debt issuance is increasing the supply of bonds that needs to be absorbed by investors. At the same time, central banks have turned net sellers of sovereign bonds, while traditional institutional investors have given way to more price-sensitive buyers of long-term bonds. Investors also seem to increasingly differentiate between sovereigns based on their fiscal risks.

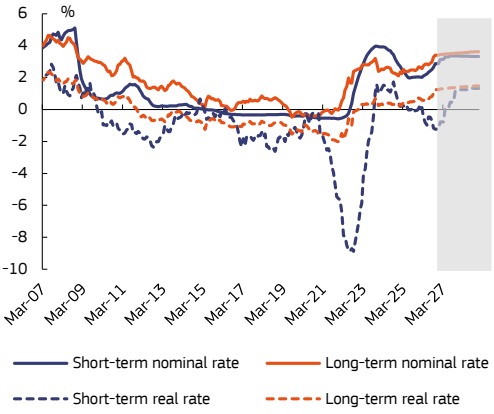
Graph I.4.3: **10-y government bond yields**



Sources: Macrobond Financial AB, US Department of Treasury.

Real interest rates are expected to increase over the forecast horizon. Rising nominal long-term interest rates come against the background of well-anchored inflation expectations, largely implying higher long term real rates compared with the Spring 2026 Forecast (see Graph I.4.4). Meanwhile, real short-term rates have declined since spring as inflation outpaced policy rates. However, they are expected to increase considerably over the forecast horizon as inflation eases while policy rates remain elevated.

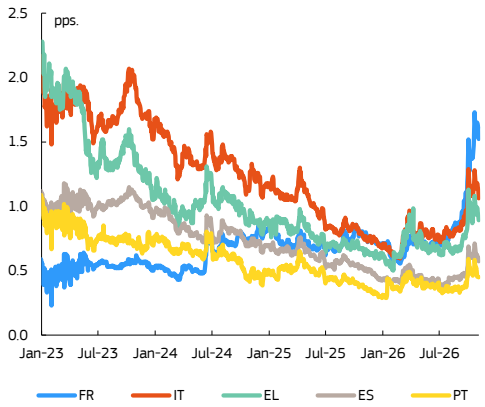
Graph I.4.4: **Real and nominal interest rates, EA**



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

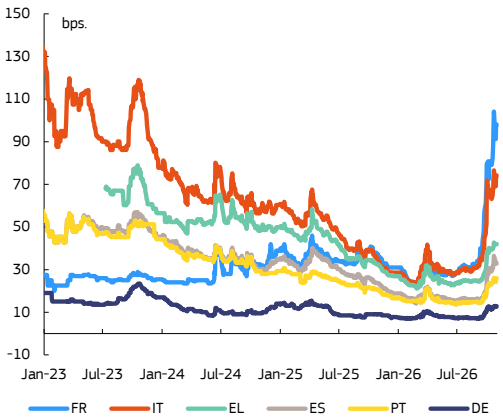
Within the Euro area, sovereign spreads widened for some countries, notably for France. As the yield of the French 10-year bond increased to around 5% at the end of October, the French spread exceeded 160 bps., double its level at the end of August and up from 65 bps. in early May (see Graph I.4.5). The widening of French sovereign yield spreads can be associated with market perceptions of uncertainty surrounding the country's medium-term fiscal outlook and the broader policy environment ahead of the forthcoming national elections. In other highly indebted euro area countries, the increases in sovereign yield spreads have been more contained. These changes can be largely attributed to higher sovereign credit risks, with the credit default swaps (CDSs) having increased significantly since mid-September for most of those countries (see Graph I.4.6).

Graph I.4.5: **Spreads to German federal bond, EU Member States**



Source: Macrobond.

Graph I.4.6: **5-year CDS**



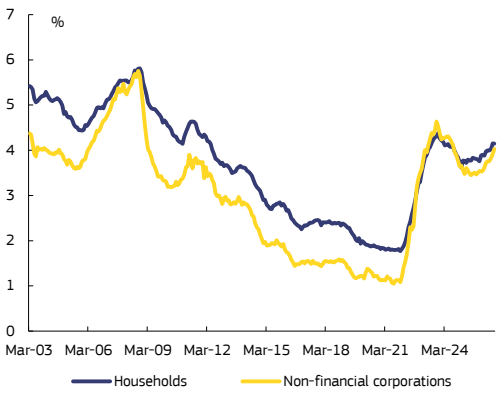
Source: LSEG Workspace.

Banks surveyed in the latest Euro Area Bank Lending Survey (BLS) for the third quarter of 2026 reported tightened credit standards, with further tightening ahead. For corporations, credit supply remained restrictive, with banks continuing to tighten lending standards. Heightened risk perceptions and lower risk tolerance, amid ongoing geopolitical uncertainty and volatility in energy markets, contributed to tighter credit standards. For households, credit standards remained unchanged for housing loans but tightened further for consumer credit. Risk tolerance and risk perceptions continued to have a small tightening impact on credit standards for households. For the fourth quarter, banks expect credit standards to tighten further for all types of loans.

Banks also reported a net decline in demand in the third quarter of 2026 by both corporates and households. Banks reported a net decrease in loan demand for firms, driven primarily by the impact of the general level of interest rates but also by weaker demand for fixed investment and a shift towards alternative sources of financing. Demand for housing loans declined sharply in the third quarter, driven by rising interest rates, declining consumer confidence and worsening housing market prospects. At the same time, demand for consumer credit continued to decline slightly. For the fourth quarter, banks expect loan demand to decline further for households, and in particular for housing loans. For firms, banks expect loan demand to remain broadly unchanged.

Bank lending to the private sector remains robust amid rising financing costs. Since spring, the cost of borrowing for both non-financial corporations (NFCs) and households have increased slightly (see Graph I.4.7). The composite cost of borrowing for corporations in the euro area, as measured by the Commission's composite credit cost indicator for NFCs, increased from 3.61% in March to 4.03% in September. The composite credit cost for households increased from 3.88% in March to 4.15% in September. Over the same period, the annual growth rate of lending to the private sector continued to increase and reached 4.3% in September, up from 3.4% in March. The increase was supported by a robust growth in loans to NFCs, which recorded annual growth of 4.2% in September.

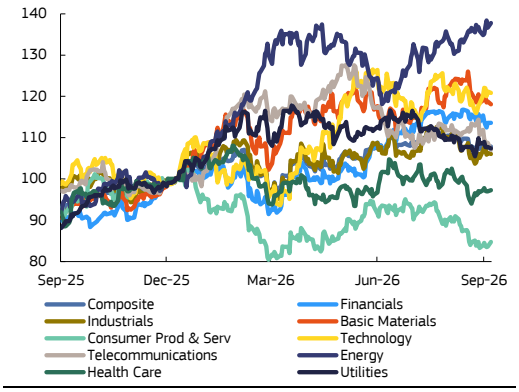
Graph I.4.7: **Composite credit cost indicators**



Sources: ECB, Bloomberg, Datastream.

EU equity valuations adjusted to higher interest rates but continued to show robust performance. European equity prices declined from mid-August to early October on the back of rising sovereign yields and the rebound in energy prices adding to inflationary pressure. However, better than expected outturns on economic activity in the EU, robust corporate results and expected profitability gains from AI adoption continued to be supportive for equity markets. Overall, European equities are trading higher than in spring (some +6% for the Eurostoxx600 since early May, slightly overperforming the US's S&P500 over the same period). Sectoral differences persist, with the strong performance of the energy, commodities and technological sectors. The banking and financial sectors also performed well recently, being driven by strong earnings and the expanded net interest margins resulting from higher current and expected interest rates. By contrast, corporations exposed to consumers continue to underperform relative to other sectors (see Graph I.4.8).

Graph I.4.8: **Euro STOXX sectoral equity indices**



Source: STOXX via Macrobond.

The euro NEER has weakened by 3%. Between early May and the cut-off date of this outlook update, the euro weakened by about 5% against the US dollar, by more than 7% against the Chinese renminbi and by 6% against the Japanese yen. The depreciation of the euro NEER was led by a weakening against major currencies, while the euro strengthened against a number of emerging market currencies. The depreciation of the euro against the dollar over this period was driven by higher real rates in the US, expectations of tighter monetary policy by the FED, and the more favourable US growth outlook. In August, the US dollar moved in reaction to news about domestic fiscal and monetary policies. It weakened in mid-August amid fiscal and debt concerns but later recovered after FED Chair Warsh's speech, which signalled the FED's commitment to its inflation target and the FED actual rate hike in mid-September. More recently, the depreciation of the euro appears to have reflected both a downward revision of expectations for monetary tightening in the euro area and an increase in perceived fiscal and political risks in some euro area Member States, as indicated by widening long-term government bond spreads.

House-price growth eased in the first half of 2026 as financing conditions tightened. In 2026-Q2, house prices were 4.7% higher than a year earlier in the EU and 4.0% higher in the euro area in 2026-Q2, down from 5.4% and 5.0% in 2025-Q4. Price growth nonetheless remained in double digits in nine Member States, as at the end of 2025, while prices fell in a few others [(2)]. The EU house prices are forecast to increase by 4.4% in 2026 and 4.0% in 2027. Continued housing price growth is intensifying affordability pressures which, in terms of macroeconomic impact on consumption, are offsetting the positive wealth effects from rising house prices (see Box I.4.2.).

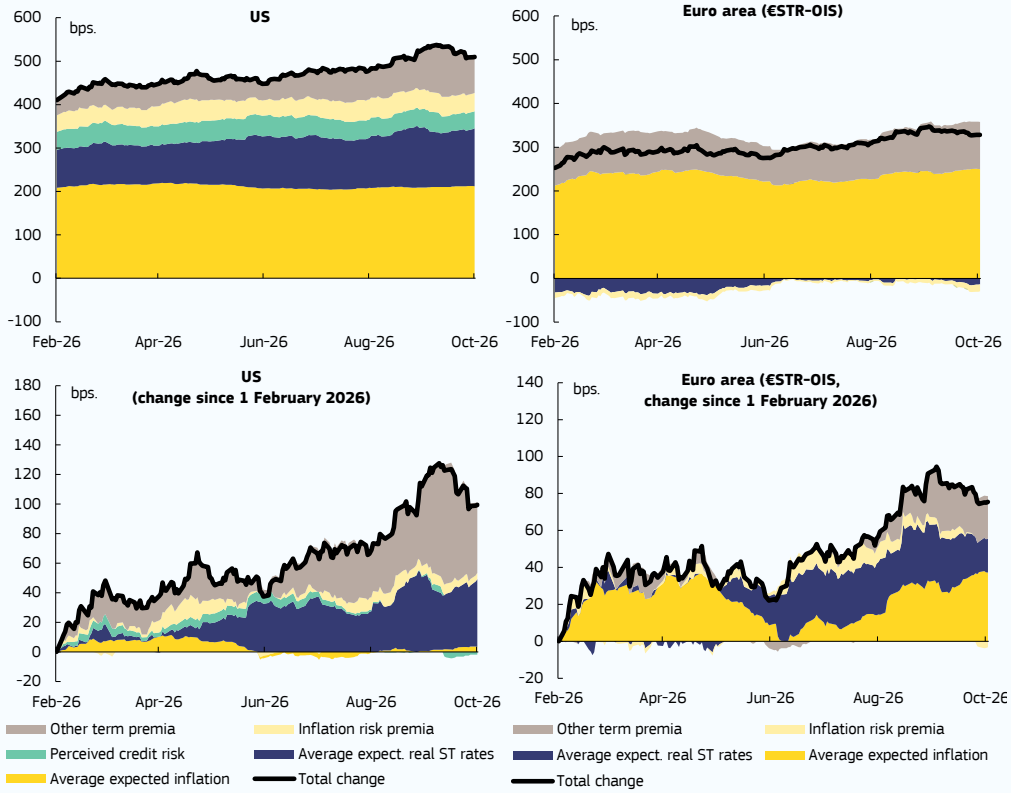
Overall, financial conditions have tightened further since the Spring 2026 Forecast. The tightening reflects an upward shift in market interest rates across maturities. As longer-term inflation expectations remained unchanged, real long-term interest rates turned higher since spring, while short-term real rates are expected to increase over the forecast horizon amid expectations of abating shorter-term inflation and still high policy rates. Financial conditions are thus expected to tighten further throughout the forecast horizon. This may slow down the current dynamism in bank lending to corporations, which currently stands firm despite rising funding costs, reported tightened credit standards and declining demand. EU equity valuations adjusted to higher interest rates but continued to show robust performance overall.

(2) Annual growth in 2026-Q2 was highest in Portugal (16.5%), Bulgaria (15.5%) and Lithuania (14.3%), and above 10% also in Slovakia, Croatia, Spain, Romania, Latvia and Hungary. Prices fell in Finland (-2.7%), Luxembourg (-2.2%) and France (-0.8%).

Box I.4.1: What is driving the recent surge in long-term interest rates?

Long-term interest rates have increased since late February in major economies and are now at historically elevated levels. In the US, the 10-year treasury yield increased by close to 130 bps from its end-February levels, before partly retreating in October. At the cut-off date of this publication, 10-year US yields were above 5%, about 100 bps higher than in February. In the euro area, average yields rose by a similar magnitude over the same period – and have decreased too over recent weeks, though less markedly and with large variation across Member States. By end-October, 10-year risk-free rates [1] were above 3% in the euro area. These dynamics reflect a confluence of factors, including shifts in central bank policy expectations, surging supply in private and public debt and concerns about fiscal sustainability. However, there is considerable uncertainty, and no consensus, about the relative importance of these drivers.

Graph 1: **Drivers of the change in 10-year US sovereign yields and euro area credit risk-free rates since end-February 2026**



Last observation: 28 October 2026
Source: PRISM estimates.

This box relies on a model-based decomposition to investigate the relative importance of different yield drivers for the US, the euro area aggregate and the four largest euro area economies. The analysis is based on the European Commission's PRISM model, a flexible affine term structure model (ATSM) [2] that characterises the whole term structure of interest rates by modelling the evolution of short-term rates. In their basic form, ATSMs can be used to decompose yields into the

(1) As measured by overnight indexed swaps (OIS) on the Euro Short-Term Rate (€STR). The €STR-OIS provides a measure of the euro area credit risk-free rate for medium- and long-term maturities.

(2) For model details see Monteiro (2025). The results shown in this box are based on a model reading of market data for yield, CDS and inflation swap curves. Differently from the description in Monteiro (2025), this box does not separate perceived credit risk into short-run and long-term components, but rather presents the aggregate headline figure for easier visualisation.

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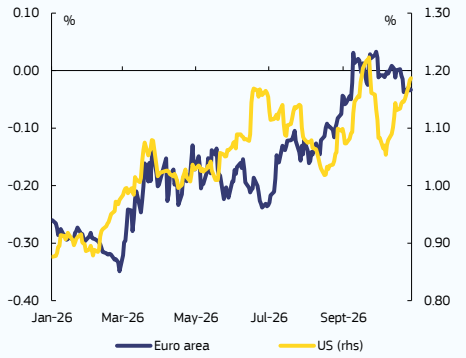
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expected path of short-term rates and a term premium. [3] For the purpose of identifying the drivers of the increase in long-term yields, the present analysis further decomposes expected short-term rates into the expected real interest rates and inflation, while the term premium is decomposed into credit risk, inflation risk and a residual item.

Higher inflation compensation accounts for about half of the rise in long-term euro area risk-free rates over the past eight months. As regards euro area risk-free rates, increases in average expected inflation linked to the energy price shock are estimated to have added close to 35 bps to 10-year yields, accounting for around half of their total increase since February. [4] The increase in projected inflation is concentrated in the first two years, as long-term inflation expectations have remained anchored. Moreover, the inflation risk premium has not moved much since February, suggesting that the uncertainty related to longer-term inflation outcomes, and the compensation required by bond investors for this risk, have not changed noticeably.

About a quarter of the increase in long-term risk-free rates reflects higher expected short-term real rates, mostly due to a higher estimated natural rate. An upward shift in the expected path of real short-term interest rates added an estimated 45bps to 10-year US yields, and approximately 20bps to aggregate euro area yields. While real short-term interest rates also reflect the expected reaction of monetary policy to higher inflation, the PRISM model suggests that their expected rise is mostly structural in nature and related to an increase in the estimated natural interest rate [5] in both regions (Graph 2). This increase can be understood in the present economic context as the consequence of (i) large investment needs (linked to artificial intelligence, national defence and energy security and transition) outstripping available or projected savings (including from traditionally surplus countries such as China and Gulf oil exporters); (ii) improved long-term growth prospects, potentially linked to AI-driven productivity gains. [6] (Investment in defence and in the energy transition, which plays an important role in Europe, is set to add less to potential growth when compared with AI, though it improves strategic autonomy and sustainability.)

Graph 2: **Estimated natural interest rates**



Source: PRISM estimates

A significant share of the rise in long-term rates reflects a higher term premium: the extra compensation investors demand for holding long-term bonds. Specific imbalances between the supply of and the demand for long-term sovereign bonds are reflected in "other term premia". [7] Several major economies have large stocks of government debt on increasing trajectories, with large fiscal deficits adding to them. In such a context, it has proved challenging to issue additional long-term sovereign bonds without investors demanding additional compensation, particularly as highly rated corporations have also increased their bond issuance, notably to fund capital investment in AI infrastructure. At the same time, central banks have been reducing their holdings of long-term government bonds, while other traditional institutional investors such as pension, insurance and sovereign wealth funds have partly retracted from the sovereign bond market, giving way to

(3) The term premium is the additional compensation required by investors for holding longer-term bonds instead of a revolving sequence of short-term bills.

(4) Euro area inflation and inflation risk are considered to be common factors in the PRISM model, affecting all nominal euro area yields equally.

(5) The natural interest is defined here as the theoretical real interest rate consistent with output at potential and stable inflation, once the effects of macroeconomic shocks have dissipated. In line with the ATSM literature, the natural interest rate is computed in the PRISM model as the average 5Y5Y nominal interest rate minus the average 5Y5Y expected inflation.

(6) See: 2027 European Macroeconomic Report (forthcoming).

(7) The "other term premium" is, in the present decomposition, a residual "real" term premium obtained from the headline nominal term premium by removing the inflation risk premium and the long-term credit risk premium.

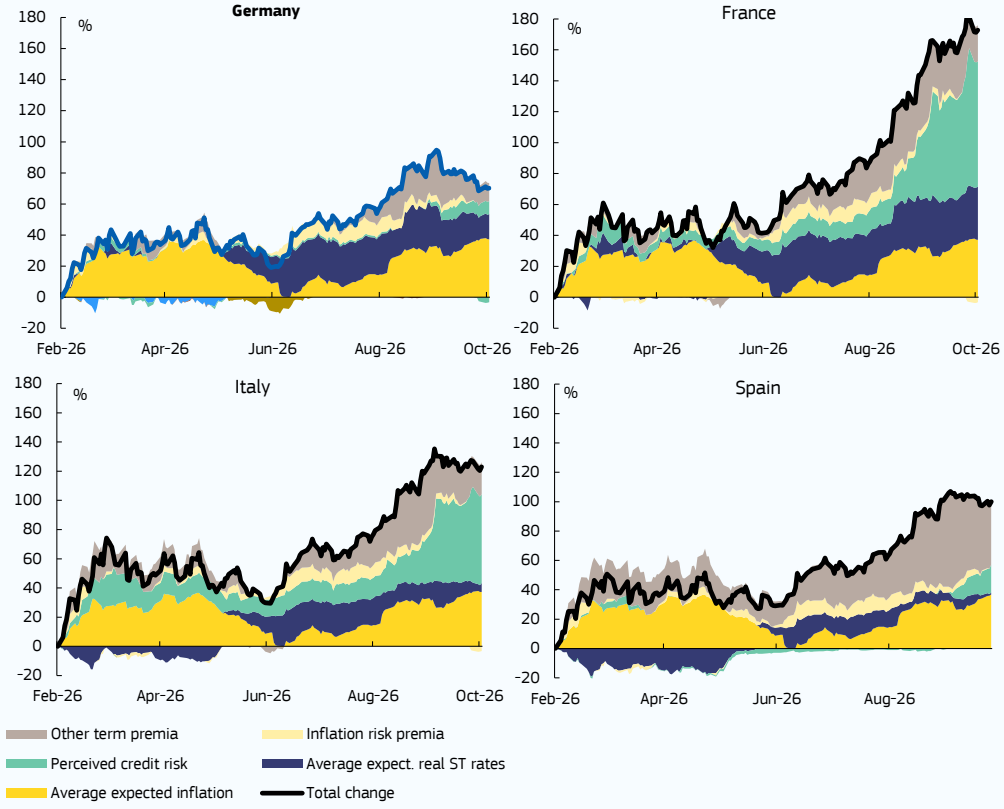
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investment funds and other more price-sensitive investors. As a residual component, "other term premia" may also have been affected by other factors, including a tilting to the upside of the uncertainty surrounding the expected path of real short-term rates. Ultimately, the result has been an upward adjustment which has contributed to increase 10 year yields by approximately 50 bps in the US, and between approximately 10 and 25 bps in the four largest euro area economies (Graph 3).

Perceived credit risk has followed heterogenous dynamics across euro area countries, related to their fiscal situation. This factor, which can be related to the level of sovereign debt ratios and to the fiscal policy stance, has remained relatively stable in Germany, Spain and in several other euro area Member States. However, it has increased markedly in France, particularly since September, and in Italy.

Graph 3: **Drivers of the change in 10-year sovereign yields in the four largest euro area economies since end-February 2026**



Last observation: 28 October 2026
Source: PRISM estimates.

Overall, the rise of bond yields is driven by common factors, but their importance varies by country, with credit risk as the main source of heterogeneity within the euro area. While the results shown in this box are based on a reading of market data for yield, CDS and inflation swap curves, they are also subject to modelling choices which may affect the details of the decompositions. Still, a number of conclusions that are both general and robust can be drawn. One is that there has been close co-movement in the long-term sovereign yields of the US and euro area countries. Another is that all the main yield drivers – be they real, inflation or credit risk-related – have tended to move in the same direction of pushing up long term rates. A third conclusion is that the magnitude of their impact has differed across monetary areas and Member States. The increase in short-term inflation expectations has been markedly more important in the euro area while the effect of real factors has

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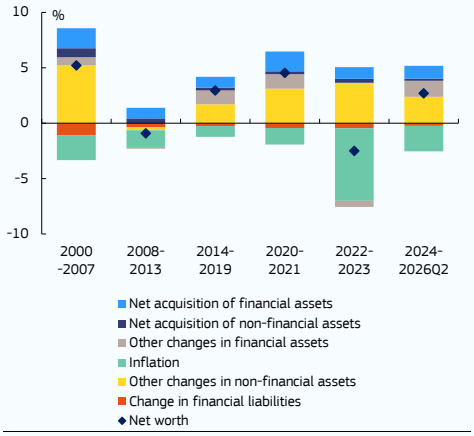
been stronger in the US. Perceived credit risk has been, in turn, the main driver of cross-country heterogeneity as far as the euro area is concerned.

Box I.4.2: **Household wealth and household consumption**

Household wealth, defined as the difference between the value of households' assets and liabilities, is a key determinant of private consumption. Together with current and expected income, it shapes the resources households expect to have available over their lifetime and, in turn, their consumption path. Analysing developments in household wealth, its relationship with consumption and how this relationship has evolved over time is therefore important for assessing the consumption outlook and, more broadly, GDP prospects, given that private consumption is the largest component of aggregate demand.

Sector accounts provide a comprehensive framework for analysing developments in aggregate household wealth. While household financial accounts provide information on assets, liabilities, transactions and other flows by instrument, non-financial accounts contain data on saving, investment and non-financial assets. The changes in balance sheets obtained from financial accounts can be divided into changes arising from transactions and other changes. Financial transactions cover net acquisitions of financial assets and net incurrence of liabilities, while "other changes" reflect revaluations due to changes in market prices and exchange rates (as well as other volume changes such as reclassifications). Households' non-financial assets mostly include dwellings (and the land underlying dwellings) owned by households, but also other non-financial assets owned by employers and own-account workers [(1)]. Changes in non-financial assets can also be decomposed into changes arising from transactions (net investment in non-financial assets, mainly housing) and other changes (notably, revaluations in house prices). Based on sector accounts, Graph 1 shows how different factors have contributed to the average annual growth rate of real household wealth in the euro area from 2000 to the second quarter of 2026, distinguishing six broad phases.

Graph 1: **Household real net wealth, euro area. Average annual change and contributions**



(1) "Net acquisition of non-financial assets" mainly captures net housing investment, while "Other changes in non-financial assets" are mainly driven by changes in house prices.
(2) Inflation is calculated on the basis of the household consumption deflator.
Source: ECB and European Commission calculations.

House price developments have been a key driver of changes in euro area household net wealth, reflecting the large share of housing in household balance sheets (at above 60% on average in the EU)**.** In the expansionary period leading up to the 2008 financial crisis, real wealth grew strongly (5.2% per year, on average, between 2000 and 2007). This growth was mainly driven by rising prices of non-financial assets, particularly house prices, and, to a lesser extent, by the acquisition of financial assets. Between 2008 and 2013, declines in asset prices, together with moderate inflation, reduced household wealth in real terms, despite continued saving (which resulted in net acquisition of financial, and to a lesser extent, non-financial assets). In the two subsequent periods, covering the 2013-19 economic rebound and the COVID-19 shock, nominal wealth grew faster than inflation. Rising house prices supported this growth, as did investment in financial assets, particularly during the pandemic-induced surge in savings. During the inflation surge of 2022-23, however, inflation significantly eroded the value of household assets and more than offset the positive effects of asset accumulation and valuation gains. As a result, household wealth declined by an average of 2.5% in each of those two years. As inflation moderated between 2024 and 2026-Q2, real household wealth recovered again, at an average annual rate of 2.7%, somewhat below the rates observed during the pandemic and the

(1) Since the household sector includes employers and own-account workers, household non-financial wealth includes some productive assets belonging to them. In any case, housing wealth represents close to 95% of non-financial wealth.

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Box (continued)

previous expansionary period (4.5% and 3%, respectively). Aggregate euro area developments mask substantial heterogeneity across countries and even within countries, with sharper house price cycles associated with larger movements in household wealth.

As high-wealth and higher income households have lower propensity to consume out of wealth, the distribution of wealth is relevant for assessing aggregate consumption. Carroll *et al* (2017) and Ampudia *et al* (2018), among others, show that wealthier households and those with higher income have lower propensity to consume out of wealth. Similarly, Garbinti *et al* (2026) find heterogeneous marginal propensities to consume across households in the euro area, with lower propensities among high-wealth households. Distributional aspects therefore play a key role in determining aggregate wealth effects on consumption and the transmission of shocks and policies operating through household balance sheets. In this context, Beach *et al* (2025) link the weak economic recovery following the Great Recession in the US to a decline in the propensity to consume out of wealth. They argue this can be explained by the fact that wealth gains increasingly accrued to higher-income households, whose propensity to consume out of income is lower.

Changes in aggregate household wealth have occurred alongside shifts in its distribution across households. Data from the ECB Distributional Wealth Accounts, available from 2009 onwards, point to an increase in wealth inequality, as measured by the Gini index, during the years 2009-13, which was partly reversed in subsequent years (see Graph 2). Overall, the increase in the Gini index between early 2009 and early 2026 has been modest, although with some variation across countries [2]. But disparities in wealth *accumulation*—especially housing wealth—have been more pronounced across wealth quintiles. In particular, the lowest quintile saw its housing wealth decline in nominal terms during this period —a development that mirrors the fall in home ownership rates observed in most euro area countries in this group, particularly among the younger (and with lower wealth) cohorts [3]. The remaining wealth quintiles recorded nominal increases exceeding 25%, with the largest gains concentrated at the top of the distribution (see Graph 3). Overall, wealth accumulation—including both financial and non-financial assets—was also particularly modest in the lowest net wealth quintile and driven by a decline in net liabilities (in the remaining quintiles the value of total assets outweigh, on average, that of liabilities). In real terms, the lowest wealth quintile no longer shows the weakest growth in wealth, because inflation reduced the real value of their net liabilities. By contrast, inflation eroded wealth in the remaining quintiles [4]. At the same time, real housing wealth became more concentrated, with gains recorded only in the top quintile and, marginally, the fourth quintile of the net wealth distribution. As a result, the ratio between average housing wealth in the fifth and the first quintiles has shown a substantial increase since early 2009 onwards, and, particularly, in the current decade (see Graph 2).

(2) According to the Gini index, since 2010 wealth inequality has increased most in Finland, Spain, Greece and Italy, while it has declined somewhat in Luxembourg, Slovakia, Cyprus, Belgium and Austria. At the same time, the countries with comparatively large increases in the Gini index were also those that, in general, showed lower inequality in the early 2010s. For Italy and Spain, which have information covering the pre-2008 period, the increase in wealth concentration is observed over the extended period starting in the early 2000s.

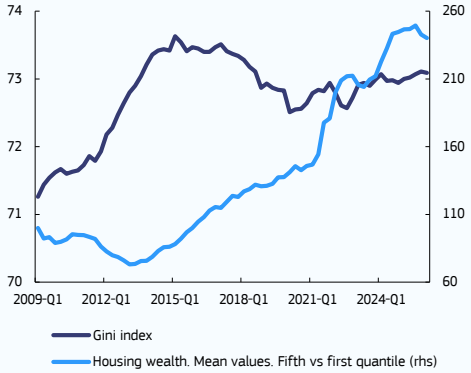
(3) See Ciccolini et al (2025) or Pedro Gete (2025).

(4) In the first quintile, households had, on average, negative net financial assets throughout the period analysed (that is, the value of their liabilities exceeded that of their financial assets). The second quintile showed negative financial wealth in 2009, but it progressively recovered from early 2014, turning positive by mid-2018. This upward trend came to a halt by mid-2023, and since then it has shown some decline.

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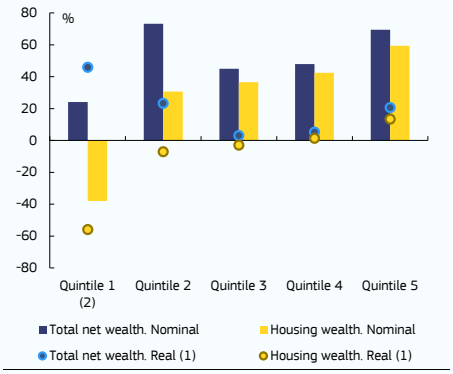
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Graph 2: **Wealth distribution in the euro area. Gini index for total wealth and ratio between mean housing wealth in the fifth and first quintiles of the net wealth distribution**



(1) The Gini index captures disparities in net wealth distribution. It ranges between 0 (total equality) and 100 (maximum inequality).
(2) The ratio between mean housing wealth in the fifth and first quintiles of the net wealth distribution is normalised by its value in 2009-Q1 (hence, values above 100 indicate that housing wealth is more unequally distributed than in early 2009).
Source: ECB (Distributional Wealth Accounts).

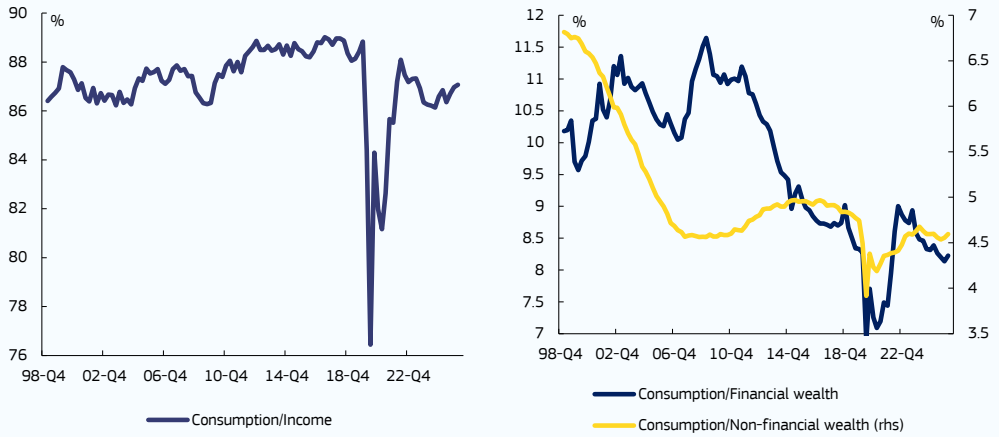
Graph 3: **Change in nominal and real average wealth levels between 2009 and 2026Q1, euro area. Breakdown by net wealth quintile.**



(1) The chart shows the accumulated change in average levels of total and housing wealth in each wealth quintile. Real wealth is calculated dividing nominal wealth by household consumption deflator.
(2) For the first quintile of the distribution, where total net wealth is negative, the percentage change captures the decline in net liabilities.
Source: ECB (Distributional Wealth Accounts).

Overall, observed trends in the euro area are consistent with a weakening link between aggregate wealth and consumption in the euro area over recent decades. The ratios of consumption to financial wealth and to non-financial wealth have followed a downward trend since late 1990s onwards (from 2012, in the case of financial wealth) and, excluding the pandemic period, are currently at historically low levels (see Graph 4). The consumption-to-income ratio is also at low levels relative to historical standards, but only from the pandemic period onwards.

Graph 4: **Consumption to income and consumption to wealth ratios**



Source: Eurostat and ECB.

The weakening link between housing wealth and consumption appears related to the increasing housing wealth concentration. Econometric estimates of the long-run relationship

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between consumption, income, housing wealth, net financial wealth and interest rates in the euro area suggest that the link between housing wealth and consumption weakened after the financial and sovereign debt crisis relative to the period 1999-2007. The estimated marginal propensity to consume (MPC) out of housing wealth has declined from moderate pre-crisis levels (around 0.5 cents per euro on average over the period 1999-2007) to values that are around and no longer significantly different from zero from 2013 onwards (see Graph 5). This shift is consistent with the above-mentioned increased concentration of housing wealth among wealthier households, who typically display a lower MPC out of wealth. By contrast, the lowest wealth quintiles, which generally exhibit a higher MPC out of wealth, include a rising share of tenants who do not benefit from rising house prices.

Regional heterogeneity may reinforce this effect. Since 2010, house prices in euro area capital cities have outpaced national averages by around 20–30% (see Höynck *et al*, 2025), despite some post-pandemic realignment. Crucially, these capital regions have much higher rental shares than other parts of their respective countries. While rising house prices increase homeowners' wealth, they tend to translate into higher housing costs for renters. Given the different MPCs out of wealth across the wealth distribution, the negative impact of rising house prices on renters' spending is likely to partially offset the positive impact on homeowner spending, thereby weakening the link between aggregate housing wealth and consumption.

The marginal propensity to consume out of financial wealth is higher and comparatively stable. As can be seen in Graph 5, the estimated MPC out of financial wealth is somewhat higher than for non-financial wealth. This is consistent with the different nature of the two types of wealth: financial assets are generally more liquid, while housing wealth mainly provides housing services, particularly in the euro area context. Stability in the estimated MPC out of financial wealth mirrors the absence of major shifts in the distribution of financial wealth [5].

Estimated wealth effects on consumption in the euro area are modest, particularly compared with estimates for the US. Before the financial crisis, in the euro area an additional euro of housing wealth was associated with around half a cent of additional consumption (see Graph 5), while the estimated response to financial wealth was somewhat higher but remained comparatively low [6]. Since then, the estimated housing-wealth effect has fallen to values close to zero, whereas the financial-wealth effect has remained broadly stable. These findings suggest that changes in household wealth, including those driven by asset-price fluctuations, have had a limited direct effect on aggregate consumption in the euro area. This may have constrained the boost to consumption from rising asset prices, but it also leaves consumption less exposed to a reversal in valuations. In the current context of elevated stock-market valuations, a correction in equity prices may therefore have a more limited direct impact on euro area consumption, particularly taking into account that they tend to be concentrated in households with lower marginal propensity to consume. Moreover, the marginal propensity to consume out of these assets tends to be lower than that out of other financial assets [7]. Similarly, policies to increase housing supply and improve affordability could put downward pressure on house prices dynamics, with a potentially limited direct effect on consumption through the housing-wealth channel. This needs to be weighed against the benefits of improved access to housing, particularly for households currently excluded from homeownership or facing high housing costs.

(5) The elasticity of consumption to financial wealth becomes statistically non-significant in the period 2013-19, partly reflecting greater estimation uncertainty due to the limited size of the sample, while the magnitude of the coefficient itself does not decline significantly with respect to the pre-crisis period. Meanwhile, the marginal propensity to consume out of income has remained broadly stable throughout the period analysed.

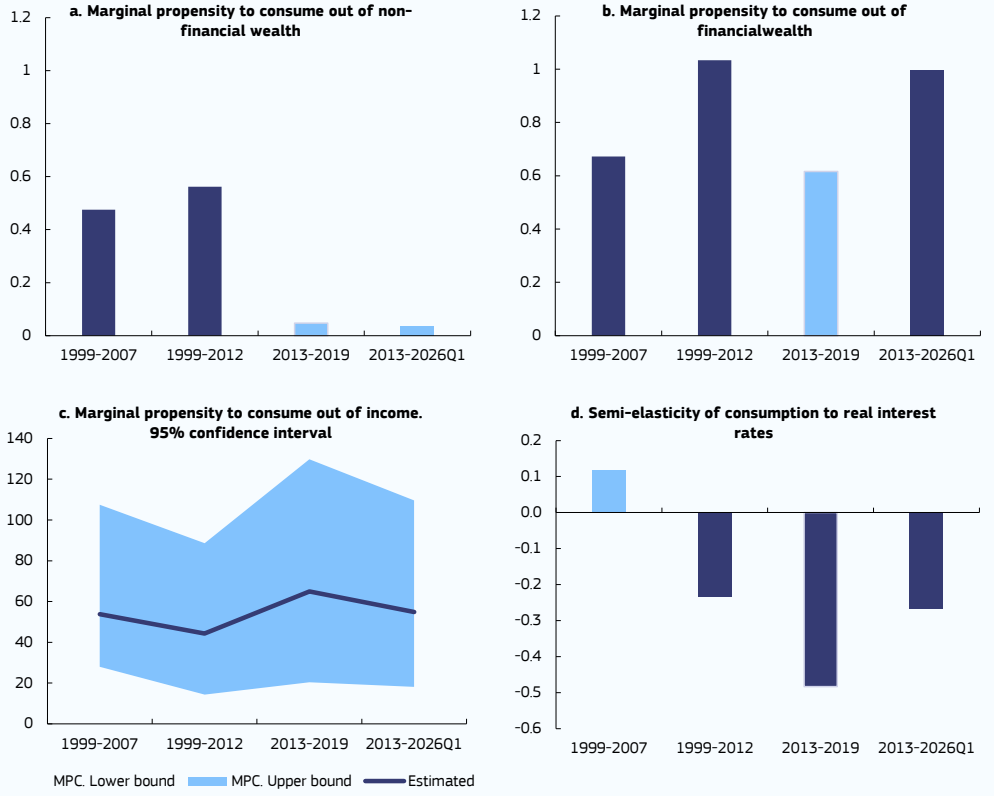
(6) For the US, see, for example, the already cited paper by Beach et al (2025), where the marginal propensity to consume out of total wealth is above 2.5 cents per dollar throughout the period 1990-2019, above that estimated here for both financial and non-financial wealth.

(7) An important adjustment in equity valuations may nonetheless be accompanied by episodes of financial stress, which may impair credit flows and thus have important indirect consequences on the EU economy.

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Graph 5: **Marginal propensity to consume out of non-financial wealth, financial wealth and income, and semi-elasticity of consumption to interest rates. Long-run relationship, euro area**

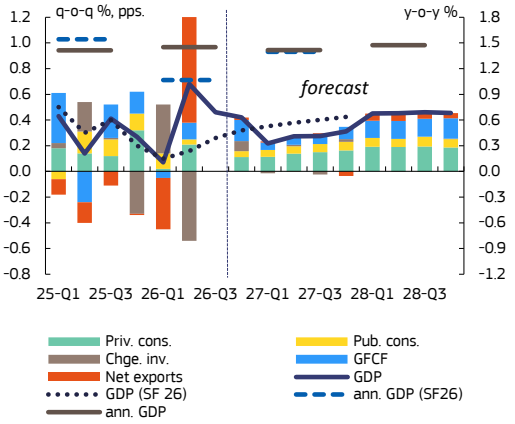


Instrumental variable estimates, obtained using lagged values of income, wealth and interest rates as instruments. Darker colour reflects statistical significance for a 10% confidence level. Similar results are obtained when estimating an ECM model capturing both short and long-run dynamics simultaneously. In the estimation for years 2013-2025, time dummies for the pandemic period are included to avoid that it distorts the estimated coefficients.
Source: Eurostat, ECB and European Commission calculations.

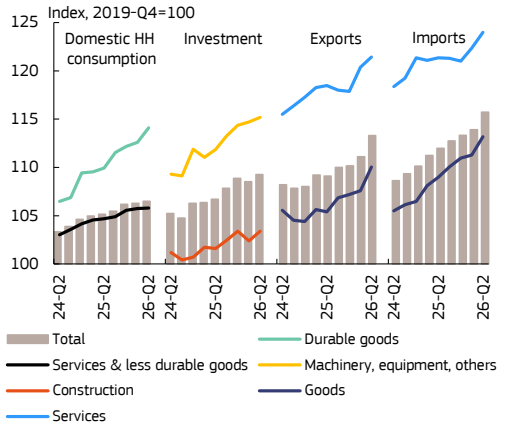
5. ECONOMIC ACTIVITY

The EU economy expanded above expectations in the first three quarters of 2026. After growing more than expected in the first half of the year, real GDP increased again above expectations in the third quarter, by 0.5% in the EU and 0.4% in the euro area. Acquired growth for the first three quarters of the year was lifted to 1.3% for the EU and 1% for the euro area - 0.5 pps. and 0.3 pps., respectively, higher than implied by the Spring 2026 Forecast (see Graph I.5.1). The majority (14) of the 20 countries providing a flash GDP estimate on 13th November [3] reported higher-than-expected acquired growth for 2026-Q3; most prominently Germany, Ireland, the Netherlands and Italy. A strong positive surprise observed for Denmark also contributed significantly to the better overall outcome. For 2026-Q3 quarterly growth was as strong or higher than projected in Spring in 16 Member States [4]. France is a notable exception, as real GDP contracted slightly in the third quarter following a decline in the first and stagnation in the second.

Graph I.5.1: **Real GDP and its contributions, EU**



Graph I.5.2: **Demand side components, EU excl. IE**



(1) **Domestic household consumption** includes consumer spending by both residents and non-residents on the territory of the Member States **but not spending of residents abroad**, e.g. during travel. This aggregate allows to look at more detailed data.
(2) IE excluded to limit the volatility in investment, exports and imports.

Private consumption expanded as expected. Private consumption rebounded (0.4%) in the second quarter after a weak first quarter (0%) (see Graph I.5.1). The dynamics in private consumption growth in 2026-Q1 and Q2 are partially driven by net spending on travel: in Q1 it was a drag, while in Q2 it rebounded and gave a significant boost. The domestic portion of consumption increased by a modest 0.2% in both quarters (see Graph I.5.2), only slightly better than expectations. According to available information from national sources, private consumption expanded further in 2026-Q3. Growth of real household disposable has slowed down since mid-last year, due to weaker employment and real wage growth, but also drag from other income and transfers. The household saving rate averaged 13.9% in 2025-Q4 and 2026-H1, 0.6 pps lower than the average over 2023-Q4 – 2025-Q3. While still higher than in the pre-COVID period (12%), the decrease supported consumption in recent quarters.

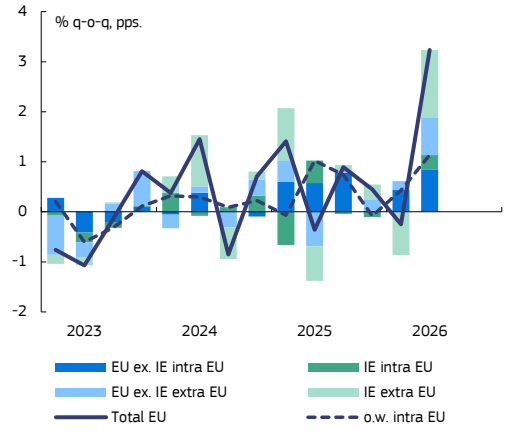
Government consumption increased in line with expectations. An important driver of the q-o-q increase in 2026-H1 were transfers in kind via market producers. Comparing to a year ago, the increase also reflects operational costs related to increased military spending and the purchase of cybersecurity services that resulted in additional expenditure in the course 2025-H2.

(3) Belgium, Bulgaria, Cyprus, Czechia, Germany, Estonia, Ireland, Spain, France, Italy, Lithuania, Hungary, the Netherlands, Austria, Poland, Portugal, Romania, Finland, Sweden and Slovakia.
(4) Denmark could also be inferred to have grown stronger than expected in spring.

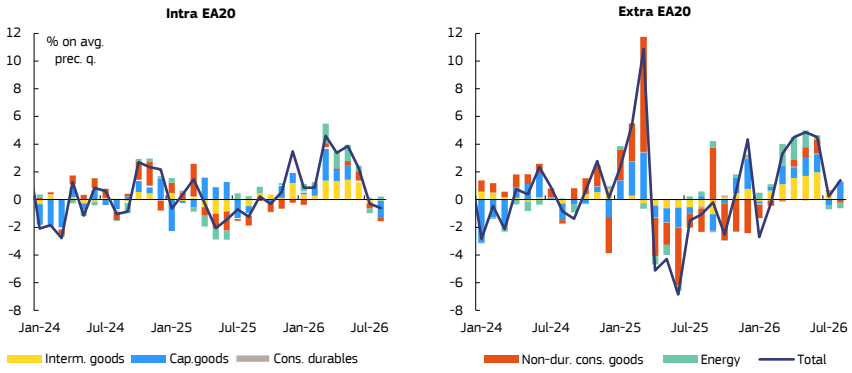
Investment growth was subdued, dragged by residential investment. Investment rebounded in 2026-Q2 after retreating in 2026-Q1, driven in particular by non-residential construction (see Graphs I.5.1, I.5.2). According to available information from national sources, investment was weak in 2026-Q3, pointing to an overall weaker-than-expected growth in the first three quarters of the year. Housing continued to be a drag, after a depressed 2024 and generally weak growth throughout 2025 [5]. Housing supply has been slow to respond to housing needs. EU completions fell from 4.0 dwellings per 1,000 inhabitants in 2022 to around 3.1 in 2025, and building permits, which lead completions by around two years, remain about 16% below their 2022 level. Spending on equipment increased in both 2026-Q1 and Q2, most likely driven by defence- and AI-related spending. Still, equipment investment fell short of the dynamics observed in 2025, despite limited signs of corporate financial distress.

Export growth rebounded strongly. GDP growth in 2026-Q2 was largely driven by net exports (see Graphs I.5.1, I.5.2). Exports surprised on the upside, especially in Ireland [6], but importantly also in Germany and to a lesser extent also by Denmark, Sweden, Italy and France, among others. Excluding Ireland, trade within the EU accounted for the better part of aggregate growth, while trade outside the EU was also supportive (see Graph I.5.3). Exports boosted the turnovers in industry, above all in the sectors producing capital goods (notably electric and electronic equipment and other factory equipment), intermediate goods (notably chemicals) and consumer non-durables (notably pharmaceuticals) (see Graph I.5.4). Partial information suggests that the contribution of (net) exports varied significantly across reporting countries in the third quarter. It was positive in the Netherlands, related to the global AI investment cycle; Ireland, related to pharmaceuticals and technology exports; and Spain, related to tourism; but was weaker in Germany and negative in France and Italy. It can be expected to have been negative on aggregate.

Graph I.5.3: **EU exports by destination**



Graph I.5.4: **Non-domestic turnover in industry, euro area**



Choice of euro area instead of EU27 due to data limitations.

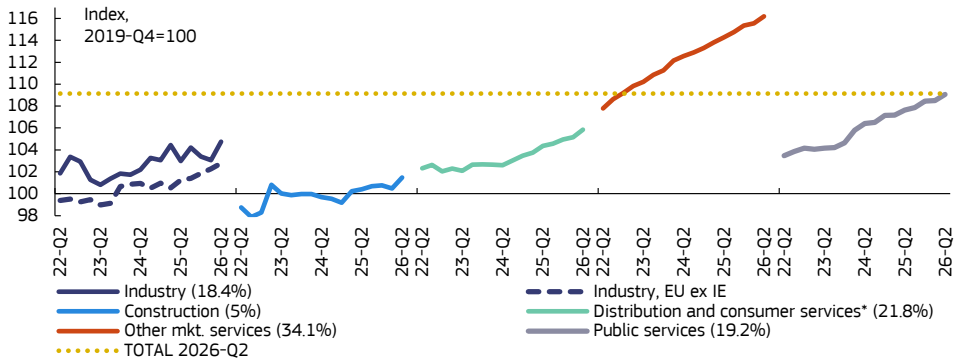
Market services sustained growth in the first quarter... On the production side, activity continued expanding, though less buoyantly, in market services, while it declined in construction and industry (driven by manufacturing) (see Graph I.5.5). Excluding Ireland, value added in

[5] 2025-H2 witnessed a localised upswing in housing investment in Italy.
[6] Ireland's trade with partners outside the EU introduces significant volatility.

manufacturing continued increasing mildly, driven by Denmark and Germany, among others. The decline in manufacturing activity in 2026-Q1 was particularly pronounced in pharmaceuticals and intermediate goods.

...while industry and construction provided a boost to the second quarter. In 2026-Q2 growth in production and value added in industry and construction resumed (see Graph I.5.5). Relative to 2026-Q1, production in services was up 0.8% in 2026-Q2, importantly driven by transport, IT and professional services, but with drag from the hospitality sector (accommodation and food services), confirming a switch to a more outward balance in tourism spending.

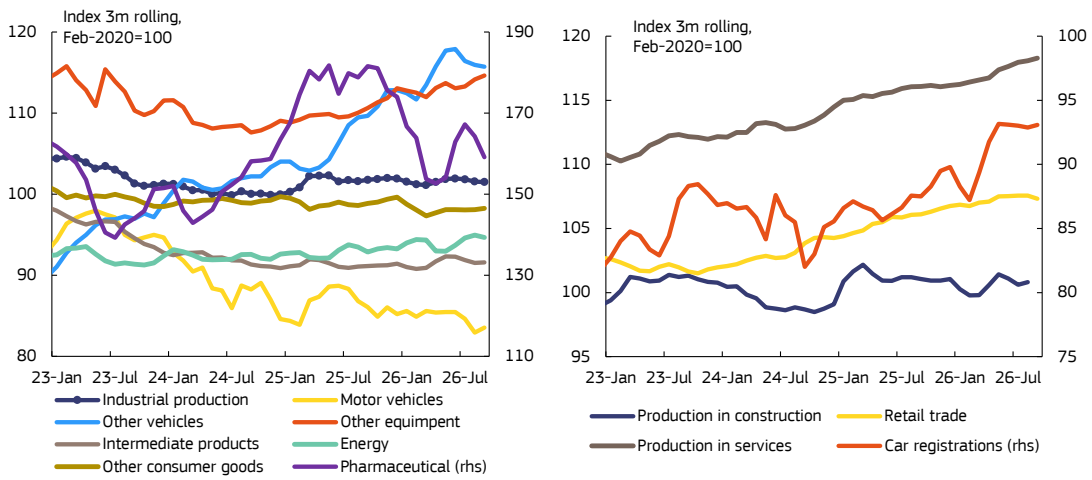
Graph I.5.5: **Gross value added in the EU across sectors**



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

Data releases for 2026-Q3 point to continued growth in services, but renewed weakness in industry. Information by the statistical authorities providing a flash GDP estimate for 2026-Q3 and production indices show that growth in services was driven mainly by business services and ICT, while industry contracted, reflecting weakness in automotive and energy-intensive manufacturing, partly offset by stronger equipment production and a September rebound. Construction activity remained subdued, while retail trade edged down after its prolonged expansion. New car registrations, however, remained close to a six-year high, a development that is related to the progressive replacement of the fleet with electric and hybrid models (see Graph I.5.6).

Graph I.5.6: **Short-term indicators, EU**

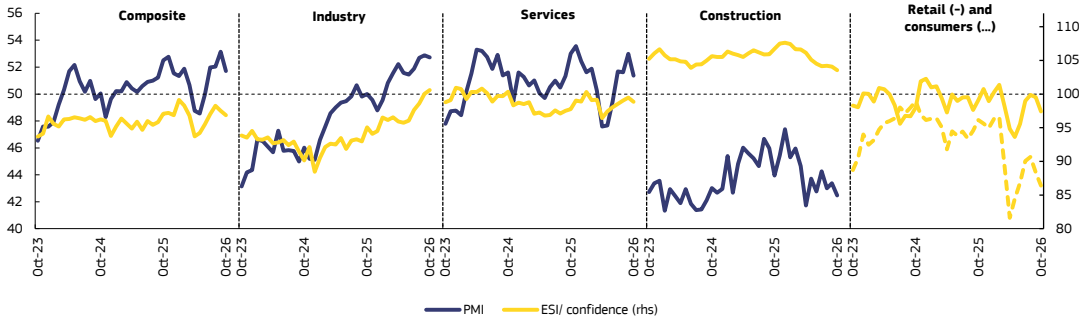


All data seasonally and calendar adjusted.
Source: ACEA; European Commission.

The occurrence of extreme weather events in July and August is likely to have left a negative imprint on economic activity in specific sectors and regions. This summer, Europe experienced one of its most severe combined heat, drought and wildfire crises on record [7]. These caused damage to forestry assets and reduced crop yields after several quarters of recovery from another summer of weather extremities across Europe in 2024-Q3. Low water levels disrupted waterway transport and strained supply chains in industry, while also constraining hydropower capacity and cooling for nuclear and thermoelectric plants, even as heatwaves pushed up cooling-driven electricity demand, together raising energy prices (see Box I.5.1).

Industrial and consumer confidence have decoupled. In early summer, consumer confidence partly recovered from the drop induced by the Middle East conflict. On the business side, confidence levels were largely restored in retail and services and improved further in industry. September and October readings indicate a relapse in confidence in retail and services. Consumer confidence also dropped significantly. Alongside higher inflation expectations, households reported reluctance to make major purchases in the following 12 months and a deterioration in their current and expected financial situation. Expectations regarding the general economic situation declined too. In contrast, the trend of rising confidence was confirmed in industry (see Graph I.5.7). Order book levels, including for export, have been steadily improving since last year (especially in Germany) and production expectations are currently trending up.

Graph I.5.7: **EC economic sentiment and sectoral confidence indicators and PMI, euro area**



EC confidence indicators have been centered along their average and standardized over 2000-2025 (Z-score) and expressed as 100 + 10 * Z.score to align better with the Economic Sentiment Indicator (ESI). The ESI has broader coverage than the composite PMI. In addition to services and industry it includes retail, construction, and consumers.

Source: S&P Global; European Commission.

Investment is set to slow down this year and recover in the outer years, while remaining subdued. The high-rate environment is set to weigh on residential construction, which is expected to broadly stagnate this year and recover only modestly over the next two years. With high real construction costs, labour shortages and tighter financing conditions limiting the response of housing supply, a recovery in demand is likely to push up prices more than it raises new supply over the forecast horizon, especially in metropolitan areas where shortfalls are concentrated. By contrast, non-residential construction, including public investment, is projected to keep expanding this year under impulse from the RRF in its last year of implementation, so the momentum is set to weaken over the forecast horizon. Equipment investment, instead, is projected to keep expanding at a healthy pace this year, also supported by the rebound of manufacturing since spring and increased defence spending, but decelerate in 2027. Other investment, which largely includes intangible assets, is set to keep expanding steadily over the forecast horizon, though at a slower pace than in the US. Overall, investment is set to decelerate from a yearly growth rate of 2.6% last year to an annual average of around 1.5% this year and next, before edging up towards the end forecast horizon.

[7] https://climate.copernicus.eu/sites/default/files/custom-uploads/summer-review-2026/C3S_Summer_Review_2026.pdf

Table I.5.1: **Composition of growth - euro area (21 countries)**

(Real annual percentage change)									Autumn 2026 Forecast		
	2025			2021	2022	2023	2024	2025	2026	2027	2028
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		8,460.5	52.9	4.7	5.3	0.7	1.6	1.4	**1.1**	**0.9**	**1.1**
Public consumption		3,436.1	21.5	4.2	1.1	1.1	2.7	1.5	**1.8**	**1.0**	**1.2**
Gross fixed capital formation		3,413.1	21.3	3.7	2.4	2.6	-1.7	2.8	**1.0**	**1.4**	**1.8**
Change in stocks as % of GDP		111.4	0.7	1.1	1.9	0.5	0.4	0.7	**0.6**	**0.7**	**0.7**
Exports of goods and services		7,772.9	48.6	11.4	7.4	-1.1	1.3	1.7	**3.0**	**2.8**	**2.3**
Final demand		23,193.9	145.0	7.2	5.1	-0.4	1.1	1.9	**1.8**	**1.6**	**1.6**
Imports of goods and services		7,201.9	45.0	9.0	8.5	-1.9	0.7	3.4	**3.0**	**2.4**	**2.3**
GDP		15,993.3	100.0	6.5	3.7	0.4	1.3	1.2	**1.2**	**1.2**	**1.3**
GNI		15,967.1	99.8	7.2	3.2	0.2	1.2	1.0	**1.3**	**1.1**	**1.3**
p.m. GDP EU		18,892.3	118.1	6.4	3.6	0.4	1.4	1.4	**1.4**	**1.4**	**1.5**
				Contribution to change in GDP							
Private consumption				2.4	2.7	0.3	0.8	0.7	**0.6**	**0.5**	**0.6**
Public consumption				1.0	0.3	0.2	0.6	0.3	**0.4**	**0.2**	**0.3**
Investment				0.8	0.5	0.6	-0.4	0.6	**0.2**	**0.3**	**0.4**
Inventories				0.9	0.4	-1.1	-0.1	0.3	**-0.1**	**0.0**	**0.0**
Exports				5.1	3.6	-0.6	0.7	0.8	**1.4**	**1.4**	**1.2**
Final demand				10.2	7.4	-0.6	1.6	2.8	**2.6**	**2.4**	**2.4**
Imports (minus)				-3.7	-3.8	1.0	-0.3	-1.5	**-1.3**	**-1.1**	**-1.1**
Net exports				1.4	-0.2	0.4	0.3	-0.7	**0.1**	**0.2**	**0.1**

Despite rising inflation, low unemployment and sustained wage growth should support a modest expansion in private consumption. Real disposable income is however projected to expand at a weaker pace over the forecast horizon than had been projected in spring, given the higher cost of living. Private consumption growth is set to soften to 1.3% this year, weaken marginally to 1.1% in 2027 and move back to 1.3% in 2028, as decelerating inflation allows for a stronger expansion of household purchasing power. The forecast for consumer spending is also conditional upon a small drop in the household saving rate, from 14.3% in 2025 to 14.1% in 2028—still well above the pre-pandemic average of around 12%. In contrast, wealth effects play only a limited role in supporting consumption (see Box I.4.2.). In 2028, the grip of inflation is set to loosen, providing some relief to household budgets. After expanding at a projected rate of 1.9% this year, government consumption is expected to decelerate to just above 1% over the two years, as governments rein in expenditure growth.

Table I.5.2: **Composition of growth - European Union (27 countries)**

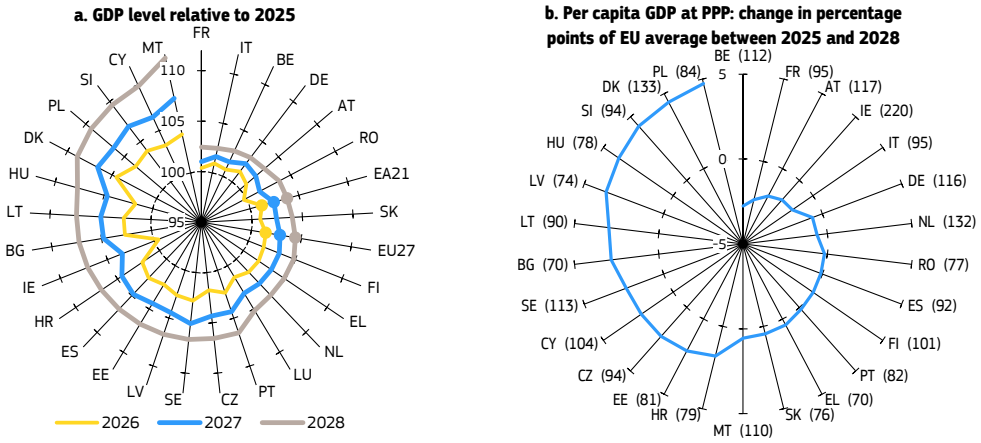
(Real annual percentage change)									Autumn 2026 Forecast		
	2025			2021	2022	2023	2024	2025	2026	2027	2028
	bn Euro	Curr. prices	% GDP	Real percentage change							
Private consumption		9,957.4	52.7	4.9	5.0	0.5	1.8	1.6	**1.3**	**1.1**	**1.3**
Public consumption		4,070.7	21.5	4.1	1.0	1.3	2.8	1.7	**1.9**	**1.1**	**1.2**
Gross fixed capital formation		4,060.9	21.5	4.0	2.4	2.7	-1.6	2.6	**1.5**	**1.6**	**2.0**
Change in stocks as % of GDP		136.2	0.7	1.3	2.1	0.4	0.5	0.7	**0.7**	**0.7**	**0.7**
Exports of goods and services		9,374.8	49.6	11.3	7.4	-0.4	1.5	2.1	**3.2**	**2.8**	**2.3**
Final demand		27,601.4	146.1	7.4	5.1	-0.3	1.3	2.1	**2.0**	**1.8**	**1.8**
Imports of goods and services		8,709.9	46.1	9.7	8.4	-1.7	1.1	3.5	**3.2**	**2.6**	**2.3**
GDP		18,892.3	100.0	6.4	3.6	0.4	1.4	1.4	**1.4**	**1.4**	**1.5**
GNI		18,841.1	99.7	7.0	3.2	0.3	1.5	1.2	**1.5**	**1.3**	**1.4**
p.m. GDP euro area		15,993.3	84.7	6.5	3.7	0.4	1.3	1.2	**1.2**	**1.2**	**1.3**
				Contribution to change in GDP							
Private consumption				2.5	2.6	0.3	0.9	0.8	**0.7**	**0.6**	**0.7**
Public consumption				0.9	0.2	0.3	0.6	0.4	**0.4**	**0.2**	**0.3**
Investment				0.9	0.5	0.6	-0.3	0.6	**0.3**	**0.4**	**0.4**
Inventories				1.0	0.4	-1.4	0.0	0.3	**-0.1**	**0.0**	**0.0**
Exports				5.2	3.7	-0.2	0.8	1.0	**1.6**	**1.4**	**1.2**
Final demand				10.5	7.4	-0.5	2.0	3.0	**2.9**	**2.7**	**2.6**
Imports (minus)				-4.1	-3.8	0.9	-0.5	-1.6	**-1.5**	**-1.2**	**-1.1**
Net exports				1.1	-0.2	0.7	0.2	-0.6	**0.1**	**0.2**	**0.1**

Exports are set to deliver a further boost to growth, though momentum is set to fade. Following a strong rebound in the first half of the year, export growth is set to attain 3.2% this

year and 2.8% in 2027—well above the growth rates expected in spring. It would then decrease to 2.3% in 2028. The strong global AI and electrification investment cycle supports the improved outlook for goods exports, with many firms across the EU supplying power, cooling and chip-making equipment. Despite some perceived improvement, manufacturing firms still see their competitive position challenged, particularly on markets outside the EU. Imports are also seen higher but still projected to decelerate over the forecast horizon, from the 3.5% in 2025 to 2.3%. Re-alignment of export and import growth implies an almost neutral contribution of net external demand over the forecast horizon, starting this year.

Overall, EU growth is set to keep up over the forecast horizon. Economic activity in the EU is now projected to expand by 1.4% in both 2026 and 2027, 0.3 pps. higher in 2026 than anticipated in the Spring 2026 Forecast and at the same rate as in 2025. Economic activity is expected to expand by 1.5% in 2028. GDP growth in the euro area is expected to attain 1.2% this year and next and move up to 1.3% in 2028.

Graph I.5.8: **Real growth dispersion and convergence**

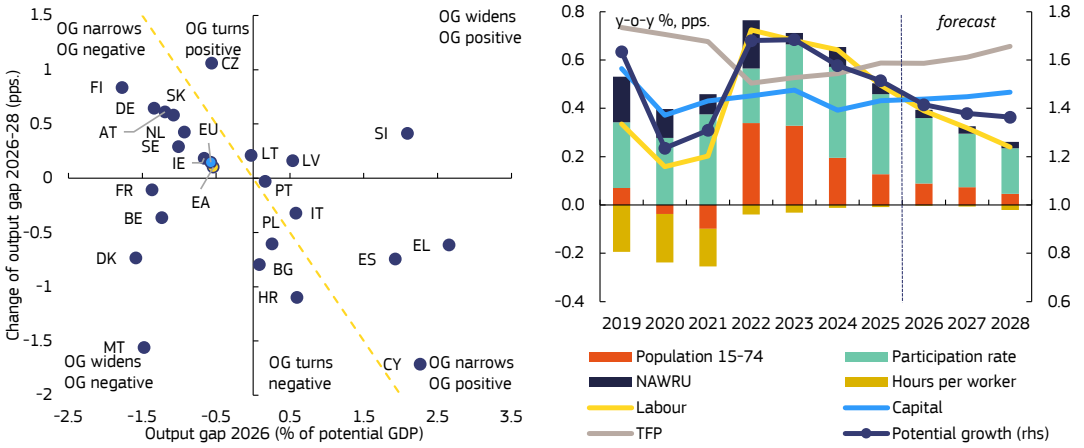


Per capita GDP in % relative to EU average in 2028 in brackets; LU (238; -7.2) not depicted on panel b.

While steady on aggregate, growth is taking a step down in 2027 in a majority of Member States. Most Member States are set to expand in 2026, though many by less than in 2025. Exceptions are Ireland, due to large base effects from last year, and Romania, where the drag from fiscal consolidation is expected to ease. In 2027 growth is projected to slow down to varying degrees in seventeen Member States. Conversely, in 2028 it is set to continue accelerating in five Member States and rebound, if only partly, in another eleven (see Annex Table 1). Growth in the largest economies France, Italy and Germany is set to remain below average (see Graph I.5.8 a.). In general, the Member States with lower GDP per capita are expected to expand more than average (see Graph I.5.8 b.), supporting further convergence in the EU over the forecast horizon. Some mid-size and smaller high-income countries are also seen growing above average.

EU GDP growth is estimated to emerge above potential in 2026. Potential growth is estimated to slow down slightly from 1.5% in 2025 to 1.4% in 2026-28 in the EU, and from 1.4% in 2025 to 1.3% in 2026 and 1.2% in 2027-28 in the euro area. The limiting factor is the slowdown in growth of the working-age population and of the participation rate, as well as to a further, if mild, decline in hours worked. Meanwhile, capital accumulation and productivity growth are set to be increasingly supportive (see Graph I.5.9, right). After widening to -0.6% and -0.5% for the EU and euro area respectively in 2025, the output gap is projected to narrow by 0.1 pps. by 2028. Germany and the Netherlands, are projected to recover towards potential, Italy and Spain, are expected to converge down towards potential, Poland to slow below potential. By contrast, France is projected to fall further below potential (see Graph I.5.9).

Graph I.5.9: **Output gaps across Member States and determinants of potential growth, EU**



LU (-3.1;0.6), RO (-3.0;1.2), recovering towards potential; EE (-1.3;2.0), HU (-1.1;2.5) recovering above potential, not depicted as out of scale.

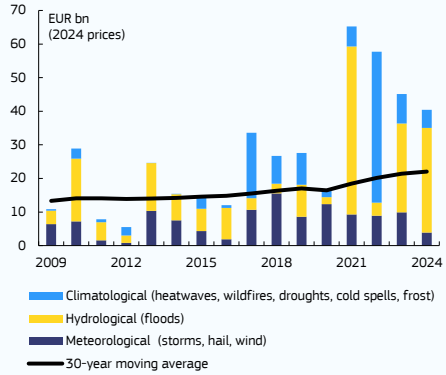
Box I.5.1: **The scorching and dry summer 2026: potential economic impact**

In the summer 2026, Europe experienced one of its most severe combined heat, drought, and wildfire crises on record. Average temperature over European land was 1.17°C above the 1991–2020 average, making summer 2026 the third warmest on record after 2024 and 2022 according to the Copernicus Climate Change Service. Record-high temperatures covered 22% of European land—hitting western and central Europe hardest—while exceptional warmth extended across Europe's seas and persisted well beyond summer, with record-breaking daily temperatures also occurring in May and September. Meanwhile, below-average rainfall across much of southern and western Europe reduced soil moisture and triggered widespread droughts. In July and August, record or near-record low river flows hit major waterways including the Rhine, Danube, Po, Loire, Rhône, and Seine. These hot, dry conditions heightened wildfire risk, fuelling destructive blazes across Mediterranean countries, particularly in Spain and France. Recently, this prolonged dry spell gave way to the successive storms and torrential rainfall, which are triggering severe flooding across parts of western and southern Europe—including Portugal, Spain, France, and Italy.

The extreme heat and drought disrupted European agriculture, energy systems, transport networks, and water-intensive industries. Droughts, heatwaves, and wildfires damaged crops and forestry, with major EU summer crop yields forecast to be up to 15% below their five-year average (European Commission, 2026), potentially driving up food prices. Simultaneously, extreme temperatures strained electricity systems. Cooling demand caused daily electricity consumption to spike—rising by 28% in Italy, 23% in Hungary, 14% in France, and 13% in Spain in late June (EMBER, 2026)—while low water levels and warm rivers restricted hydropower and thermal generation. In turn, this pushed energy prices higher, although strong solar output helped ease price pressure in central hours (European Gasoline Market Outlook, August 2026). Record-low water levels on the Rhine severely constrained inland shipping, sending tanker-barge freight rates from Rotterdam to Karlsruhe surging from EUR 45 to EUR 150–155 per tonne by late July, and Amsterdam-Rotterdam-Antwerp to Basel rates from EUR 35 to EUR 277 per tonne by mid-August (European Gasoline Market Outlook, August 2026). These supply chain bottlenecks hit chemical, metal, and fuel manufacturers hardest while posing risks to water-intensive activities, including data centres and food processing. In addition, heatwaves may have reduced workers' productivity in a number of sectors, and in some cases, their ability to work, particularly in physically demanding or outdoor occupations. Finally, public finances are likely to have been impacted too, through lower tax revenues linked to disrupted production and trade, and, on the expenditure side, reconstruction efforts, disaster relief, alongside pressures on healthcare systems, with heatwaves linked to higher heat-related morbidity and mortality.

The overall economic impact of weather- and climate-related extreme events remains difficult to measure. The indicator of Economic losses caused by weather- and climate-related extreme events in the EU Member States, compiled by the European Environment Agency (EEA), shows that such events caused an estimated EUR 822 billion in economic losses in the EU between 1980 and 2024, of which more than EUR 208 billion (25%) occurred in 2021–2024 alone. In 2022, the year that recorded a previous temperature record, losses from extreme weather events amounted to an estimated EUR 58 billion (Graph 1). However, the EEA indicator captures primarily direct losses to physical assets, infrastructure and crops, leaving broader economic effects unaccounted for. These include disruptions to production capacity, lower productivity and damage to natural capital, as well as the economic costs of reconstruction. National accounts, which underpin conventional economic forecasts, including the European Economic Forecasts, provide a framework for capturing some of these wider effects, but

Graph 1: **Economic losses caused by weather- and climate-related extreme events in the EU Member States**



Source: European Environment Agency.

(Continued on the next page)

Box (continued)

have important limitations. The destruction of fixed capital is recorded as a reduction in the capital stock, but the relevant data are published with considerable delay and do not identify climate-related causes.[1] Moreover, the loss of ecosystem services that are not traded in markets is not reflected in conventional measures of economic activity. The effect of extreme events on measured GDP is also not straightforward: while damage and disruption weigh on economic activity, subsequent reconstruction and repair can partly offset these losses. Over a typical short-term forecast horizon, GDP growth may even be boosted if reconstruction spending outweighs the initial disruption. Finally, the spatially and sectorially concentrated nature of weather shocks means that their effects may be more readily identified in regional and sectorial accounts than in aggregate national data, underlining the value of analysis at a more disaggregated level.

Estimates based on evidence from past events suggest that the economic costs of extreme weather events can be sizeable and persist well beyond the initial shock. Their effects extend beyond immediate physical damage and disruption, weighing on productivity, investment, employment and population. Using data for 1,160 EU regions, Usman et al. (2024), in their *Going NUTS* analysis, find that regional output remains 1.5 pps. below its counterfactual level two years after a summer heatwave, and 3 pps. and 2.8 pps. lower four years after a drought and a flood, respectively. In Costa et al. (2024), firm-level evidence further highlights the productivity channel.[2] The effects of weather-related disruptions can also accumulate over time and propagate across sectors. Mastropietro et al. (2026) find that the effects of droughts on production, investment, migration, and employment build up over several years, with particularly persistent effects on manufacturing and construction, whereas agricultural impacts are more pronounced in the short term. Finally, Ademmer et al. 2023 illustrate how localised weather-related supply disruptions can have wider economic consequences: a month of persistently low water levels on the Rhine is estimated to reduce German industrial production by around 1%, through disruptions to inland water transport.

Preliminary estimates of the economic impact of the summer 2026 weather events vary, reflecting differences in geographical coverage, methodology and the economic channels considered. For France, both the statistical office INSEE and the Banque de France estimate that the summer heatwaves and associated drought will reduce annual GDP growth in 2026 by around 0.1 pps., with most of the impact stemming from lower agricultural output. Both estimates primarily capture short-term effects and draw on currently available sectoral data, with the Banque de France also using evidence from its monthly business survey of up to 8 500 firms. Private-sector assessments for Europe point to substantially larger losses. Schuiling and Texeira, (2026) estimate that the 2026 heatwaves, droughts and wildfires could reduce European GDP by 0.2–0.4% in the short term —with steeper losses in heavily affected countries like France (0.3–0.5%)—before reconstruction and recovery spending offsets part of the initial decline.

The effects on prices are more ambiguous, reflecting opposing supply and demand effects. Heatwaves and droughts can push up food prices by reducing agricultural output. Kotz et al (2023) estimate that the exceptional heat of summer 2022 raised annual food inflation in Europe by around 0.7 pps. and headline inflation by around 0.3 pps.. However, more destructive weather events can also depress household consumption and business investment, weakening aggregate demand. Costa and Hooley (2025) find that, following severe disasters, these demand effects can dominate over the medium term, putting downward pressure on the overall price level. By contrast, moderate disasters have little discernible effect on aggregate prices.

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(1) The destruction of fixed capital is recorded in the national accounts as 'other change in the volume of assets', reducing the capital stock. However, these adjustments are not regularly published separately by Eurostat or national statistical institutes, and the underlying capital stock data are typically available with a lag of around two years. Moreover, they do not identify the causes of capital destruction. Losses of non-capital goods, such as consumer durables, are also not captured. See Special Issue 4.3 Effects of extreme weather events on national accounts and the european economic forecast - European Commission (2023)

(2) Firm-level evidence across 23 advanced economies suggests that ten additional days above 35°C reduce annual labour productivity by around 0.3%, while one additional heatwave lasting at least five days is associated with a reduction of around 0.2%. See Costa et al. (2024).

Box I.5.2: **Firms' financial position and investment in the euro area**

A sound corporate sector is essential for the economy, both as an engine for growth and as a source of resilience to shocks. Firms' investment decisions are a key determinant of economic growth, while their financial strength shapes their ability to absorb adverse shocks without resorting to layoffs, cutting investment or defaulting on their obligations. High energy costs and rising interest rates, against a backdrop of subdued domestic demand, are putting both roles to the test. While firms have weathered earlier shocks relatively well, persistent cost pressures are weighing on profitability and could, if sustained, gradually erode their capacity to invest. This box assesses the financial situation of non-financial corporations, first as a buffer against shocks and then as a driver of growth.

The financial position of euro area non-financial corporations remained sound in the first half of 2026, although the pace of deleveraging has slowed. Corporate debt stood at 193% of gross value added in the second quarter, its lowest level since 2008 and well below its 2010–19 average. Debt-to-equity–another key gauge of corporates' financial leverage–was also close to its lowest level in more than a decade (see Table 1). However, much of the decline in the two metrics since 2022 reflected the boost from inflation to nominal value added and increase in equity valuations rather than to a sustained reduction in borrowing. Debt growth actually picked up in the first half of 2026, and so did the debt to value added ratio in both quarters. Liquidity buffers remain ample: deposits grew strongly and covered around 85% of short-term debt, close to the highest level since the series began. At the same time, debt-servicing capacity remains ensured. The interest burden has eased from its 2024 peak of $13^{1}/_{2}$% of gross operating surplus to around $11^{1}/_{3}$% in 2026-Q2, driven by the decline in interest rates. With bank lending rates rising again, interest payments have started to increase, but operating surpluses still comfortably cover interest costs by almost nine times.

Table 1: **Non-financial corporations, euro area**

Indicator	Range since 1999	Average 2010-2019	2025-Q2	2026-Q2	Level vs 2010-2019 (1)	y-o-y % change (2)		q-o-q % change (3)	
Debt and debt service									
Debt-to-GVA ratio	142.1 - 222.7	213.2	193.2	**193.1**	very low	stable	-0.1	up	0.9
Debt-equity ratio	30.5 - 46.7	40.4	34.3	**33.7**	very low	stable	-0.6	down	-0.5
Deposit-debt ratio	3.8 - 82.1	47.1	68.1	**74.0**	very high	increasing	5.9	flat	3.1
Interest ratio	6.3 - 21.2	11.2	12.4	**11.3**	average	decreasing	-1.1	up	0.0
Interest coverage	4.7 - 13.4	9.6	8.0	**8.8**	average	increasing	0.8	down	0.0
Profitability									
Profit share	38.2 - 42.3	39.6	39.1	**39.0**	low	decreasing	-0.1	up	0.6
Saving ratio	17.2 - 24.7	23.0	22.5	**22.5**	average	stable	0	flat	0.0
Financing									
Self-financing ratio	76.5 - 116.4	109.5	106.5	**108.5**	average	stable	2	flat	-0.4
Net lending-GVA ratio	-6.8 - 3.6	1.2	0.7	**1.5**	average	increasing	0.8	flat	-3.5
Investment									
Investment rate	20.6 - 24.7	22.1	22.5	**22.4**	average	stable	-0.1	flat	-22.6

(1) standard deviations of 2010–19 quarterly values: average = within 0.5; low/high = 0.5–1.5; very low/very high = more than 1.5.
(2) relative to the standard deviation of year-on-year changes: stable = less than 0.3 standard deviations; increasing/decreasing = 0.3–1; rapidly increasing/decreasing = more than 1.
(3) flat = change smaller than 0.25 standard deviations of quarterly changes in 2010–19.
Debt-to-GVA ratio is debt over gross value added, debt-equity-ratio is debt over sum of debt and equity, deposit-debt ratio is deposits over short-term debt, interest ratio is interest paid over gross operating surplus, interest coverage is gross operating surplus over interest paid, profit share is gross operating surplus over gross value added, saving ratio is gross saving over gross valued added, self-financing ratio is internal funds over gross fixed capital formation, net lending-GVA ratio is net lending borrowing over gross value added, investment rate is gross fixed capital formation over gross value added.

Profitability, by contrast, remains under pressure, extending a decline that began after the 2021-22 energy shock. The corporate profit share fell sharply in the first quarter of 2026 and recovered only partly in the second, remaining low but still within its historical range. The decline reflects the unwinding of the margin gains made during the 2021–22 energy shock, with lower input costs being passed on to customers and wages catching up with past inflation. Manufacturing appears to experience most pressure, though manufacturing margins as a whole remain above pre-pandemic levels in the largest Member States. In 2024–25, manufacturers' value-added prices rose by only

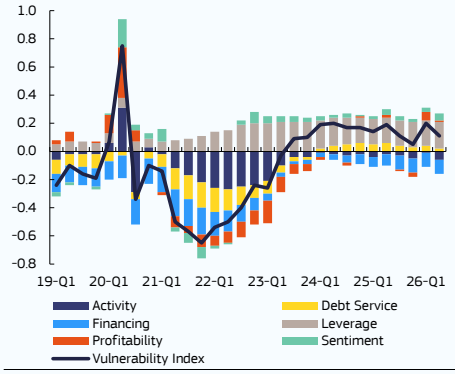
(Continued on the next page)

Box (continued)

around 1–1½% a year, while unit labour costs increased by around 3%. Margin compression was particularly pronounced in energy-intensive industries, notably in Germany. Labour-intensive business services have generally been better able to pass higher wage costs on to customers. Looking ahead, the renewed rise in energy and commodity prices adds to the pressure. While producers of energy and basic materials have raised their prices, manufacturers further along the value chain, such as motor vehicles and machinery, have so far passed on little of the increase in their input costs, weighing on profitability in the first half of 2026. Evidence from the Survey on the Access to Finance (SAFE) points to a further deterioration, with a net 21% of firms reporting lower profits in the third quarter, after 16% in the second quarter.

Overall, the corporate sector rests on sound financial position and retains substantial capacity to absorb adverse shocks. Low debt, ample liquidity and preserved debt-servicing capacity provide adequate financial buffers. Overall, the deterioration in profitability has so far not translated into a broad-based weakening of corporate balance sheets. The corporate vulnerability index with its contributing dimensions reflects these aspects of potential NFC financial vulnerabilities (see Graph 1). The index picked up in the first quarter of 2026 driven by the drop in profits and sales reported by firms. While both indicators recovered and contributed to the lower index in the second quarter, weaker sentiment weighed on business situations. Vulnerabilities were overall higher in the first half of 2026, compared to end 2025 but broadly similar to the same period the year before. The SAFE survey results also confirm that financial vulnerability remains contained: the share of firms simultaneously reporting lower turnover and profits, higher interest expenses and unchanged or rising indebtedness remained low, at around 4% in the third quarter, with SMEs showing, on average, slightly lower vulnerability than larger firms.

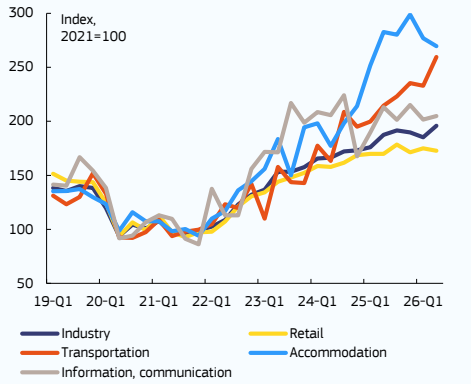
Graph 1: **Financial vulnerability index**



Displayed as a composite index of corporate financial vulnerabilities expressed in standard deviations from a long-term average. (1)

Source: ECB, European Commission calculations.

Graph 2: **Bankruptcy declarations per sector, EU**



Growth of insolvencies has also moderated, though developments have been uneven across sectors. Bankruptcy declarations in the euro area increased in the second quarter, following a decline in the first, and remained above their pre-pandemic average. However, their year-on-year growth moderated to around 7% in the first half of 2026, from 12% in 2025, suggesting that the unwinding of insolvencies deferred during the pandemic continues to play a role. Developments vary across sectors, reflecting differences in current economic conditions: bankruptcies continue to rise in transport, while remaining broadly stable in construction and industry and declining in accommodation and food services (see Graph 2). Meanwhile, business creation has broadly kept pace with insolvencies, leaving the ratio of bankruptcies to business registrations relatively stable. Available third-quarter data for

(1) Gardó et al. (2020), Salish (2025)

(Continued on the next page)

Box (continued)

some countries also point to signs of stabilisation, with insolvencies easing slightly in Germany and business failures remaining broadly unchanged in France.

Firms have ample capacity to finance investment, both internally and externally, so subdued investment does not reflect financing constraints. In the first half of 2026, firms' internal funds continued to exceed their investment needs, broadly in line with the post-2010 average, leaving the corporate sector a net lender to the rest of the economy. This financial surplus must be seen in the context of relatively subdued investment over the same period – with the investment rate hovering only marginally above the average of the previous decade notwithstanding the EU's important transformational investment needs. Across Member States, investment growth has been more closely aligned with developments in economic activity than corporate financial conditions (i.e. profitability, internal funds or credit growth). Taken together, these developments suggest that subdued demand and limited investment opportunities, rather than financing constraints, have been weighing more heavily on corporate investment. Evidence from the ECB SAFE survey points in the same direction, with half of firms not applying for bank loans reporting that they have sufficient internal funds and only a small share citing obstacles when seeking a loan. SMEs are more exposed to external financing conditions, facing a widening financing gap and being more likely to be discouraged from applying for loans.

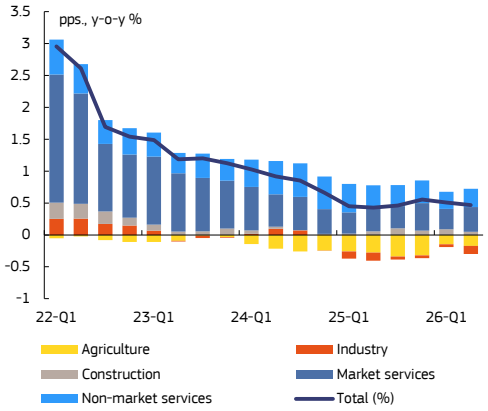
Overall, the euro area corporate sector remains financially sound, but contributes less to growth than its financial position would allow. Sector accounts and surveys point to solid balance sheets across firm sizes, sectors and Member States, with little evidence of widespread financial distress. Weak investment reflects subdued activity rather than financing constraints. In manufacturing, firms have kept investment broadly in line with value added, but weak value-added growth, reflecting pressure on both prices and volumes amid technological change, has reduced the sector's contribution to aggregate investment. Output in energy-intensive industries has contracted markedly and the automotive sector is under pressure, pointing to a price and non-price competitiveness challenge. A stronger contribution from manufacturing will depend on new sources of growth, including the ability to benefit from technological change such as the adoption of AI. SMEs remain more exposed to tighter financing conditions. At the euro area level, weak profitability appears largely cyclical, although in Germany and Austria it seems to reflect a longer-term decline.

6. LABOUR MARKET

The EU economy continued to generate a moderate employment expansion in the first two quarters of the year. According to national accounts data, headcount employment in the EU increased by 0.2%—corresponding to 442 000 additional workers—in 2026-H1 with respect to 2025-H2. In year-on-year terms, it rose by 0.5% in both aggregates. At the same time, hours worked per employee remained broadly stable in most sectors. By sector, employment growth was driven by both market and non-market services, while employment declined slightly in manufacturing and agriculture (see Graph I.6.1). By nationality, the increase in employment among non-nationals more than offset the decline among nationals, linked to demographic ageing (see Graph I.6.2). For 2026 as a whole, the projection for employment growth in the Spring 2026 Forecast—at 0.3% for the EU and 0.4% for the euro area—are well within reach, given an acquired growth entering the second half of the year for both the EU and the euro area slightly below 0.4%. Data for the third quarter, which were published after the forecast's cut-off date, points to further slowdown in job growth, as employment broadly stagnated.

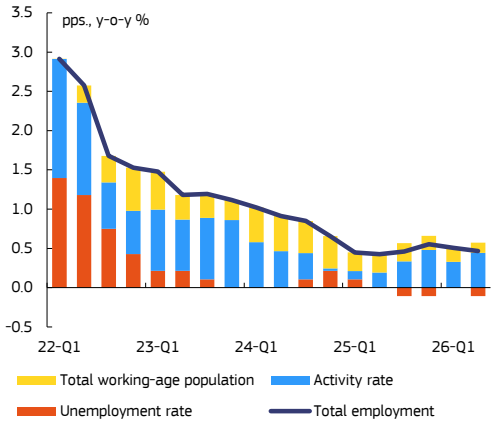
Among the largest economies, Spain continued to record the strongest employment growth, and Germany the weakest. In Spain, headcount employment grew by 0.9% in the first semester compared to 2025-H2, and by 2.2% y-o-y [8]. Foreign workers again contributed significantly, which may partly reflect the regularisation of immigrants carried out by the Spanish government during the second quarter. By contrast, compared to the last semester of 2025, employment stagnated in France and declined by 0.2% in Germany (and by 0.4% compared to 2025-H1). In most countries, annual employment growth has been driven mainly by market and, to a lesser extent, non-market services. Germany stands out as a notable exception, with employment in market services declining since mid-2024 and the contraction intensifying. By contrast, employment in industry stagnated or declined in most Member States, with the downturn more pronounced in North-West Europe, while Spain stood out for its comparatively stronger performance.

Graph I.6.1: **Employment growth, year-on-year, and sector contributions, EU**



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

Graph I.6.2: **Total employment growth decomposition**



The unemployment rate increased marginally in the third quarter, but remained close to historically low levels. It stood at 6.2% in the EU and 6.5% in the euro area, 0.1 pps. above the rates observed in the second quarter, and 0.4 pps. and 0.3 pps. above the historical lows reached

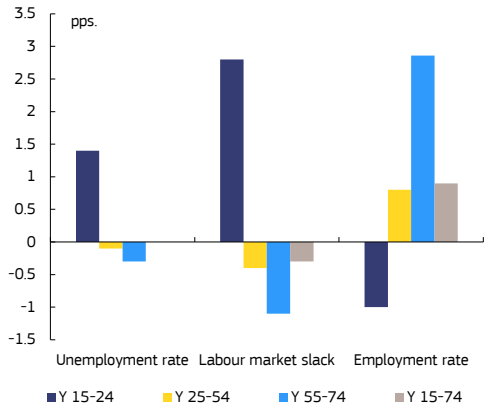
[8] Data for the third quarter, published before the cut-off date, shows that employment remained dynamic in Spain in the third quarter, when it grew by 2.6% with respect to 2025-Q3.

at the end of 2024 in the EU and in the euro area respectively. Eurostat's broader measure of labour market slack, encompassing groups with an unmet need for employment [9], has remained broadly stable. It stood at 11.8% of the extended labour force aged 15-74 in the EU in 2026-Q2 (12.6% in the euro area). Developments in unemployment rates differ substantially across countries. Malta and Luxembourg recorded relatively large increases in unemployment in 2026-Q3 with respect to one year earlier (+0.9 and +0.7 pps., respectively), whereas Greece saw a significant decline of 1.2 pps. Among the largest EU Member States, unemployment edged down further in Spain (-0.3 pps.) and increased in France (0.5 pps.) and, less significantly, in Italy (0.3 pps.) and Germany (0.2 pps.).

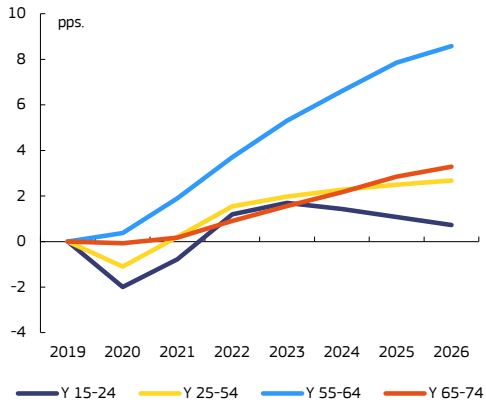
There are signs of labour market weakening, particularly for younger cohorts. As young workers are generally more affected than older workers by softer labour demand, recent developments in their employment are consistent with the usual cyclical labour-market patterns, rather than reflecting, so far, any labour-reducing effect of AI adoption. Between early 2023 and 2026-Q2, the unemployment rate among people under 25 increased by 1.2 pps., and the broader measure of labour market slack increased by 2.8 pps., up compared to 2026-Q2, and close to 30%. The share of young individuals facing other unmet supply of employment—in particular, those working fewer hours than wished—also increased. By contrast the older cohorts saw an improvement in these indicators (see Graph I.6.3). These divergent trends, together with rising labour market participation rates among older cohorts, have translated into diverging employment rate developments: rates have declined by 1 pp. for younger cohorts and increased by up to 2.9 in the older ones. This temporarily reinforces the ageing trend of the labour workforce (see Graph I.6.4).

Net of the volatility associated to Ireland's GDP, labour productivity growth picked up further. When Irish GDP is excluded from the EU aggregate to net out its high volatility, the upward trend in labour productivity growth is seen continuing into 2026-H1 in the EU. This took place against a backdrop of a gradual decline in the labour intensity of economic growth, following a period of exceptionally job-rich economic expansion between end-2022 and end-2024 [10]. Cross-country differences persisted. Among the largest EU Member States, France and Germany, with more subdued employment developments, led the productivity gains in 2026-H1, whereas productivity growth remained limited in Spain and Italy.

Graph I.6.3: **Changes in EU labour market indicators between 2023-Q1 and 2026-Q2, by age group**



Graph I.6.4: **Changes in the EU employment rate since 2019 by age group**

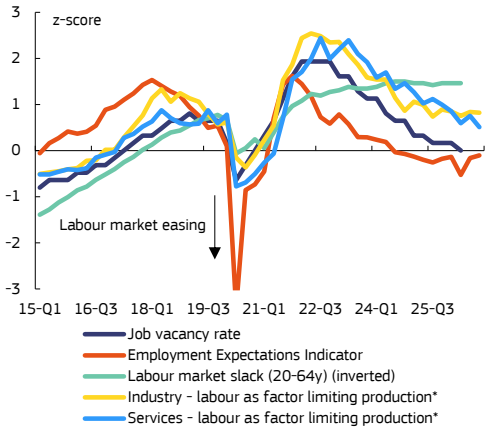


[9] The standard Eurostat indicator includes—beyond the unemployed—other groups with an unmet need for employment: part-time workers who want to work more, people who are available to work but do not look for work, and people who are looking for work but are not immediately available.

[10] Instead, the GDP decline in Ireland in the first half of 2026 implies a moderation in EU productivity growth when this country is included in the aggregate: labour productivity growth stood at 0.8% by mid-2026, 0.3 pps. below end-2025.

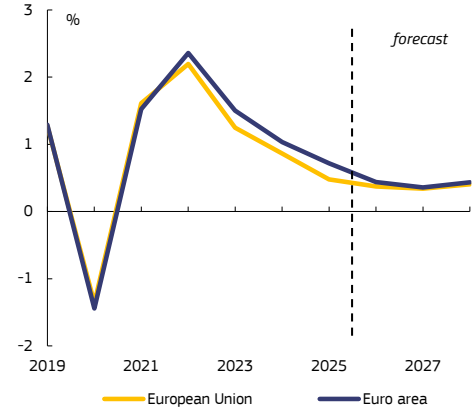
Survey data point to still positive employment developments in the short term. In October, the composite PMI employment index declined slightly, but remained just above the 50 threshold, while employment expectations—captured by the European Commission's Employment Expectations Indicator (EEI)—increased marginally, up to levels close to their long-term average, and Consumers' unemployment expectations declined. At the same time, the proportion of managers reporting labour shortages as a factor limiting production in the Commission's business surveys declined further to 19% in the service sector mid-2026 and 2026-Q4, while remaining broadly unchanged at 17% in industry. Both figures remained above their respective long-term averages (see Graph I.6.5).

Graph I.6.5: **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 labour market slack and the job vacancy rate (from year 2009 and 2010, respectively). *Share of managers indicating shortage of labour force as factor limiting production.

Graph I.6.6: **Employment growth, EU and the euro area**



Employment growth in the EU and the euro area is expected to slow down further in 2027 and to recover slightly in 2028. Its growth rate is set to decline in the EU from 0.5% in 2025 to 0.3% in 2027, and from 0.7% to 0.4% in the euro area, and to increase marginally in 2028 (see Graph I.6.6). Labour force growth is expected to slightly outpace employment, resulting in a mild increase in the unemployment rate in 2026 and 2027, up to 6.2% (0.2 pps. above 2025 levels and 0.2 pps. above the projections in spring). The unemployment rate would decline slightly in 2028, when GDP growth is set to accelerate slightly. These employment developments, less dynamic than those expected for GDP, will lead to further declines in the job intensity of growth in 2026-27. Job intensity of growth is therefore expected to remain below its historical average along the projection horizon. Across the largest Member States, Germany faces the most significant downward revision in employment growth prospects for 2026, as weaker-than-anticipated developments in 2026-H1, together with the weaker employment trends projected for 2026-H2, have resulted in a larger projected contraction in employment for 2026 as a whole. In contrast, Italy benefits from strong positive carryover effects from past employment growth, leading to an upward revision relative to spring.

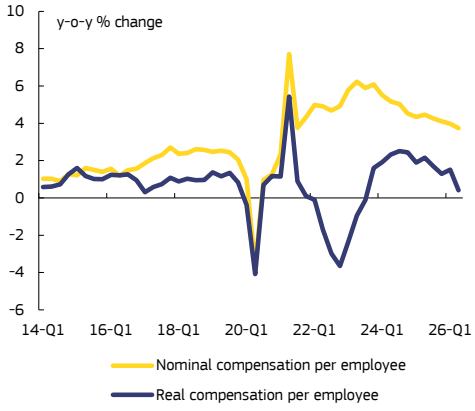
The drag to labour force growth from population ageing is set to intensify over the forecast period, only partly offset by the increase in labour market participation. The number of EU countries with a declining working-age population is projected to increase from nine in 2025 to twelve in 2027, limiting growth of labour supply and weighing on growth prospects. In aggregate terms, the EU and the euro area are still expected to see modest increases in the working-age population over the forecast period, but not over the longer term (see Box I.6.1)

Nominal wage growth continued to moderate in the first half of 2026. According to quarterly national accounts, year-on-year growth of nominal compensation per employee decreased to 3.7% by mid-2026, 0.4 pps. below its end-2025 rate (see Graph I.6.7). Across sectors, nominal year-on-year wage growth moderated in contact-intensive services, while it remained broadly unchanged in industry and accelerated somewhat in construction. Year-on-year growth in

nominal compensation per employee also moderated by 0.4 pps.. In the euro area, to 3.3%. Among the largest economies, Spain and Germany showed the highest growth in compensation per employee (around 4% in both cases), despite their diverging employment patterns, while increases were more moderate in Italy and France (around 2% in both countries). Wage growth moderated in 15 out of the 27 EU Member States. However, some acceleration was observed in countries such as Croatia, Bulgaria and Slovenia, where high year-on-year increases remained high, above 7.5%.

Growth in real wages has also moderated, more intensely than nominal ones. Continuing the moderation recorded in the previous two years, real wage growth eased to 0.4% in 2026-Q2, 0.9 pps. below end-2025 rate. This reflected both the moderation in nominal wage growth and the rebound in inflation. In the euro area, real wage growth moderated by 1.1 pps., to 0.3%. Real wage growth turned negative in Romania, Bulgaria, Belgium, Austria, Italy, Slovakia and Estonia.

Graph I.6.7: **Compensation per employee, EU**



Going forward, negotiated wages and survey data point to broadly stable wages growth rates in 2026-2027. With data available up to August, the ECB wage tracker with unsmoothed one-off payments shows a decline in wage growth from 3% in 2025 to 2.6% for the whole of 2026, followed by an increase to 2.7% in the first quarter of 2027 and to 2.8% in the second quarter of 2027 [11]. Similarly, according to the Corporate Telephone Survey carried out by the ECB at end June [12], companies continue to anticipate contained wage growth. On average, the quantitative indications provided by companies imply that wage growth is expected to slow from 3.1% in 2025 to 2.5% in 2026 and stand at 2.4% in 2027 [13]. Year-over-year percentage changes in wages advertised in online job postings on the *Indeed* website point to a more dynamic evolution of salaries between March and August in the euro area than suggested by negotiated wages, followed by some moderation in September.

(11) Data up to September, published after the cut-off date of these projections, suggests slightly higher wage growth in first three quarters of 2027 compared with the full year of 2026.

(12) Contacts with companies took place mainly between 22 June and 1 July 2026 (i.e. shortly after the signing of the US-Iran Memorandum of Understanding in mid-June, which subsequently broke down).

(13) Around 20% of contacted companies thought that the increase in inflation caused by the conflict in the Middle East would result in higher wage demands, and around 10% expected their firms to implement inflation compensation packages. Most companies in the sample, however, did not anticipate any notable impact on wage growth, citing the subdued economic conditions and employment outlook as supporting factors for this evolution. Upward pressures on wages seem somewhat higher according to perceptions of companies collaborating with the ECB Survey on Access to Finance. According to it, the share of companies reporting that their expectations regarding wage trends have been revised upwards is significant (around 40%), while at the same time the war's impact on their expectations regarding number of employees or hours worked appears negligible.

Wage growth is revised slightly upwards relative to the Spring 2026 Forecast. Nominal compensation per employee in the EU is revised up by 0.2 pps. in 2026 and by 0.3 pps. in 2027 with respect to the Spring 2026 Forecast, in a context of renewed inflationary pressures. It is expected to grow by 3.7% in 2026 and 2027, and by 3.5% in 2028 in the EU, while in the euro area increases are expected to remain more modest (3.5% in 2026 and 2027 and 3.2% in 2028). Meanwhile, real wage growth is projected to slow down in 2026 compared to 2025 as higher inflation weighs on purchasing power. However, it is set to remain positive along the projection horizon and to be larger in countries with higher expected productivity growth (see Graph I.6.8) [14]. Growth in unit labour costs is set to decline over the projection horizon. The slowdown in 2026 is explained by both declining wage growth and increasing productivity growth, while in 2027-28 it is expected to be mainly driven by moderating wage growth, in a context in which productivity is set to remain broadly stable.

Graph I.6.8: **Real compensation per employee and productivity per worker. Cumulative increase 2025-2028.**

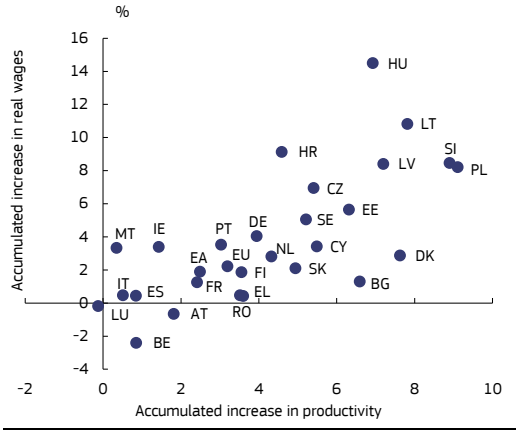


Table I.6.1: **Labour market outlook - euro area and EU**

Table I.2.5:

Labour market outlook - euro area and EU

(Annual percentage change)

	Euro area (21 countries)							EU						
	Autumn 2026 Forecast				*Spring 2026 Forecast*			Autumn 2026 Forecast				*Spring 2026 Forecast*		
	2025	2026	2027	2028	2025	2026	2027	2025	2026	2027	2028	2025	2026	2027
Population of working age (15-74)	0.3	**0.2**	**0.2**	**0.1**	0.3	0.2	0.2	0.2	**0.1**	**0.1**	**0.1**	0.2	0.2	0.1
Labour force	0.7	**0.5**	**0.5**	**0.5**	0.8	0.4	0.4	0.6	**0.4**	**0.4**	**0.4**	0.6	0.4	0.3
Employment	0.7	**0.4**	**0.4**	**0.4**	0.7	0.4	0.4	0.5	**0.4**	**0.3**	**0.4**	0.5	0.3	0.4
Employment (change in million)	1.3	**0.8**	**0.6**	**0.8**	1.3	0.7	0.7	1.0	**0.8**	**0.8**	**0.9**	1.1	0.7	0.8
Unemployment (levels in millions)	11.2	**11.4**	**11.6**	**11.7**	11.2	11.3	11.3	13.3	**13.6**	**13.7**	**13.8**	13.3	13.4	13.4
Unemployment rate (% of labour force)	6.4	**6.4**	**6.5**	**6.6**	6.3	6.4	6.4	6.0	**6.1**	**6.2**	**6.1**	6.0	6.0	6.0
Labour productivity, whole economy	0.5	**0.8**	**0.9**	**0.9**	0.7	0.5	0.8	0.9	**1.1**	**1.1**	**1.1**	1.0	0.7	1.0
Employment rate (a)	65.4	**65.6**	**65.7**	**65.9**	65.4	65.5	65.6	65.0	**65.2**	**65.3**	**65.5**	65.0	65.1	65.3

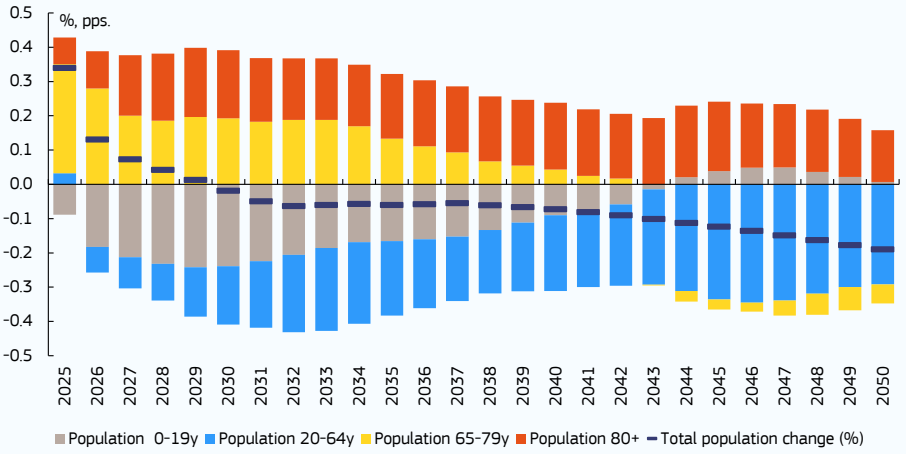
[14] At country level Romania, Austria, Belgium, Luxemburg, Italy, Greece, Cyprus and Spain are foreseen to experience some declines in real wage in 2026, which would reverse afterwards (in most cases, in 2027; in three of them—Belgium, Austria and Spain—in 2028).

Box I.6.1: **Long-term labour market implications of demographic changes in the EU**

Fast population ageing across the EU has major consequences for labour supply, employment and long-term growth. The 2027 Ageing Report projections [1] show that the EU population is set to decline from 2030 onwards due to the marked decline in fertility rates, though this will happen only gradually, given steady gains in life expectancy. Higher labour market participation—especially among women and older workers—is expected to mitigate part of the demographic drag but not fully offset the decline in the working-age population.

The EU population is projected to rise marginally in the coming years, to a peak of 453 million in 2029, before entering a period of sustained decline (see Graph 1)**.** By 2050, the EU population is set to fall to 445 million (-2%), with a decrease by at least 10% in Bulgaria, Greece, Croatia, Latvia, Lithuania, Hungary, Poland and Romania. Simultaneously, the age structure in the EU is set to shift: the share of people aged 65 or over is projected to increase from 22% in 2025 to 29% in 2050, while the share of those aged 20-64 would fall from 58% to 53%.

Graph 1: **Total population growth and age-group contributions, EU (2025-2050)**



Source: 2027 Ageing Report.

As a result, the EU goes from having 2.6 people aged between 20 and 64 for every person aged 65+ in 2025, to 1.8 people by 2050. This dynamic is captured by the old-age dependency ratio—the population aged 65+ relative to those aged 20-64—, which is projected to rise in the EU from 38% in 2025 to 55% in 2050. The old-age dependency ratio will range widely across countries, from 34% in Malta to 70% in Portugal and Greece.

These trends reflect the combined effect of low fertility, rising longevity and positive net migration. Fertility in the EU has significantly fallen over recent decades, reaching a historical low of 1.3 live births per woman in 2024. Member States' fertility rates are assumed to converge, in the very long term, to rates currently observed among the EU frontrunners (those states with the highest fertility rates). This means that fertility rates would remain well below the natural replacement rate of 2.1 for all Member States, with an average EU fertility rate of 1.5 in 2050. After the interruption caused by the COVID-19 pandemic, life expectancy at birth has resumed its upward trend and is projected to increase further, by around three years between 2025 and 2050. Net migration is assumed to moderate gradually after the exceptionally high inflows of recent years and stabilise from the 2030s

[1] The Ageing Report is a triennial report from the European Commission and the Economic Policy Committee (EPC). It provides long-term projections for public expenditure on pensions, health care, long-term care and education in the European Union and Norway. The first part of the 2027 Ageing Report, on which this box is based, was published on 4 November 2026. The second part, presenting the budgetary projections, will be published in spring 2027.

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Box (continued)

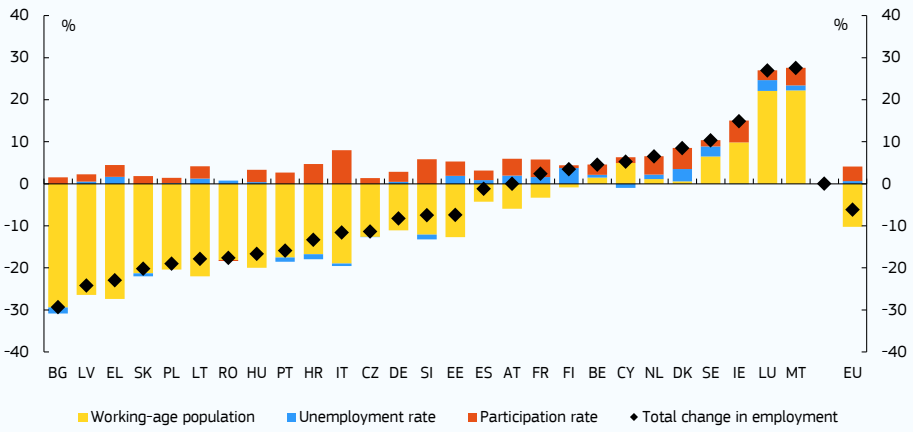
at around 1.4 million persons per year, or 0.3% of the EU population. This includes the assumptions that two thirds of displaced Ukrainians benefiting from temporary protection remain in their current host country, and that a future decline in the population aged 15-64 is partially offset by additional non-EU immigration for that Member State.

Labour market participation is expected to continue rising, driven by structural increases in female participation and pension reforms that delay labour market exit. The participation rate of people aged 20-64 in the EU rose steadily, from 74% in 2005 to 81% in 2025. Female participation has been the main driver. Participation among older workers also increased strongly over the past two decades, reflecting pension reforms that raised statutory retirement ages and tightened access to early exit pathways. The participation rate among the EU population aged 20-64 is projected to rise further to 84% by 2050. The increase is expected to be strongest for the older ages, in particular in countries where the statutory and early retirement ages are automatically adjusted, fully or partially, to future gains in life expectancy [(2)]. Eleven Member States currently have such mechanisms. More broadly, legislated pension reforms are projected to lift participation among people aged 55-64 by about 5 pps. by 2050 and by about 8 pps. among those aged 65-69, as people delay their labour market exit.

Rising participation rates and a limited decline in the unemployment rate would allow for higher employment rates over the next decades. By 2050, the EU employment rate among people aged 20-64 is projected to rise by around 3 pps., to about 80%, with again the largest increases among older workers. The unemployment rate is set to decline gradually, to around 5% in 2050.

Still, the shrinking working-age population implies that the total number of people employed in the EU will decline, thereby weighing on the economy's growth potential. Total employment in the EU is projected to fall by 6% between 2025 and 2050, equivalent to almost 12 million fewer people. In Bulgaria, Latvia, Greece, Slovakia, Poland, Lithuania, Romania, Hungary and Portugal, employment is projected to shrink by more than 15% by 2050. By contrast, employment is expected to increase by up to 9% in France, Finland, Belgium, Cyprus, the Netherlands and Denmark, with larger increases in Sweden (+11%), Ireland (+16%) and, especially, Luxembourg and Malta (around 30%). Aside from France and Finland, these countries' working-age population is projected to grow by 2050 (see Graph 2).

Graph 2: **Projected change in employment 2025-2050 (20-64y)**



Source: 2027 Ageing Report.

The old-age economic dependency ratio is projected to rise further, from 47% in 2025 to 64% in 2050. Calculated as the number of inactive people aged 65 and over relative to employed

(2) These countries are Denmark, Estonia, Greece, Italy, Cyprus, the Netherlands, Portugal, Romania, Slovakia, Sweden and Finland.

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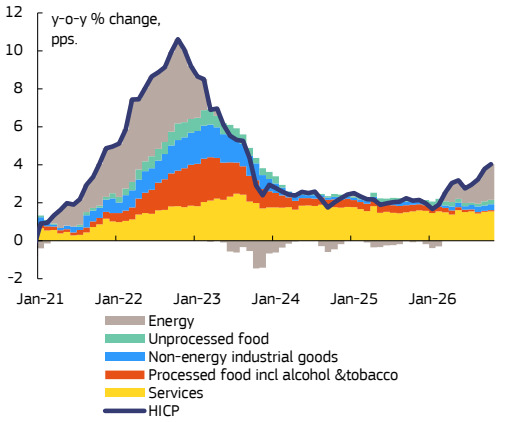
Box (continued)

people aged 20-64, the old-age economic dependency ratio serves as a key gauge for the expected macroeconomic repercussions of demographic ageing. Its projected increase implies that the EU would go from having 2.1 employed people aged between 20 and 64 for every inactive person aged 65+ in 2025, to 1.6 by 2050. The ratio is set to rise in all Member States, meaning that even in countries where employment is projected to grow, the increase in the older population would be even greater.

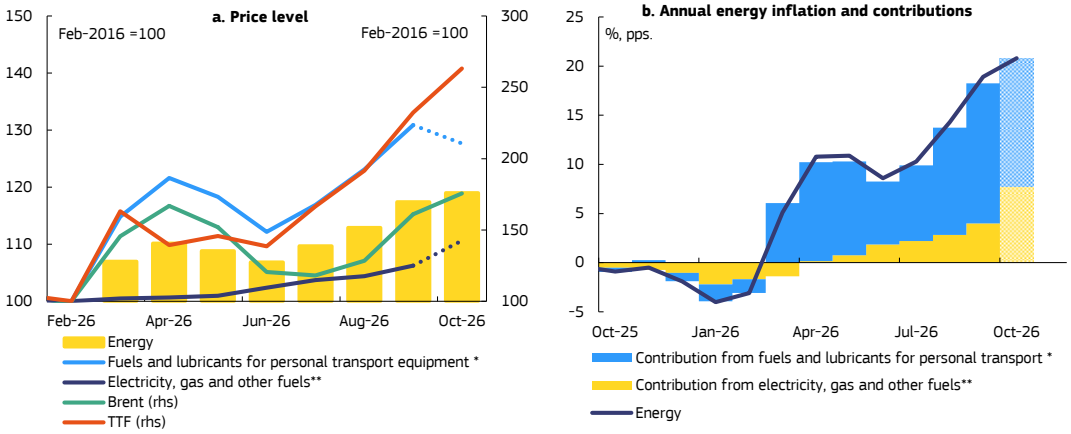
7. INFLATION

Euro area inflation rose to a three-year high of 4% in October, on the back of accelerating energy prices. Headline inflation was more than twice as high as at the onset of the conflict in Iran and the Middle East, while consumer energy inflation climbed to 20.8% year-on-year, up 24 pps. from February. By contrast, inflation excluding energy continued to show little underlying trend, remaining within the narrow range of 2.1%-2.4% over the past 12 months.

Graph I.7.1: **Inflation breakdown, euro area**



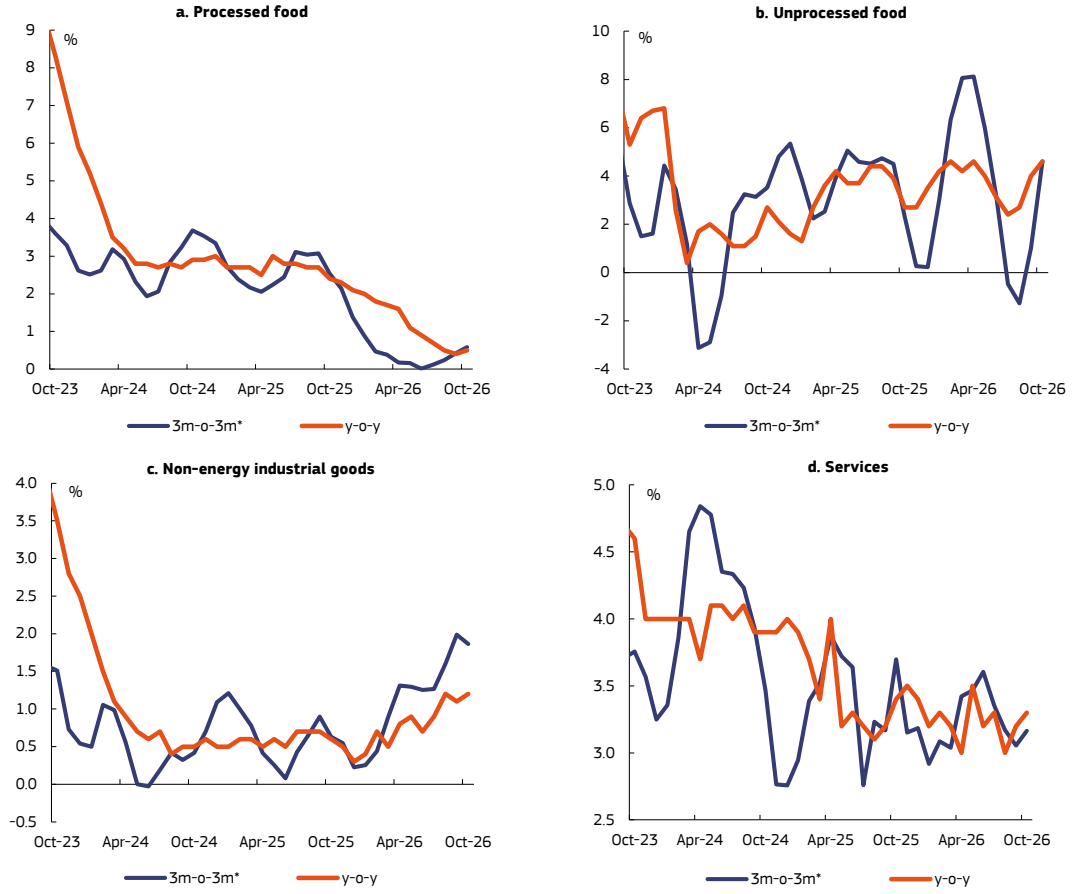
Graph I.7.2: **Euro area energy inflation and commodity prices**



*Estimate of inflation in fuels for personal transport in October based on DG ENER weekly oil bulleting https://energy.ec.europa.eu/data-and-analysis/weekly-oil-bulletin_en. ** October calculated as residual using Eurostat flash estimate for energy

Transport fuels have so far accounted for the bulk of the increase on energy inflation. Transport fuel prices, which tend to quickly track movements in the underlying commodity price (Brent crude), rose by 31% between February and September (see Graph I.7.2b). Retail gas and electricity prices increased much less—by 11.8% and 3.7%—respectively, despite the surge in wholesale gas prices (TTF benchmark) and wholesale electricity prices, which climbed by 132% and 80% respectively, over the period (see Graph I.7.2a). The weaker overall pass-through to retail gas and electricity prices reflects several factors, including a larger share of taxes and levies in these prices compared with than transport fuels, the prevalence of long-term consumer contracts, a high degree of administrative price regulation, and a rising overall share of renewable energy in electricity generation.

Graph I.7.3: **Inflationary pressures**



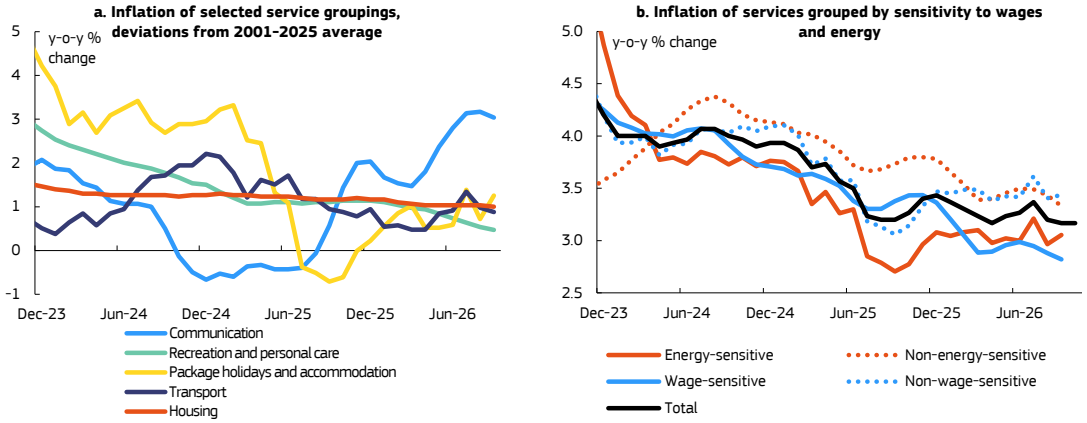
* Seasonally and working-day adjusted, annualised.

Food inflation fell to multi-year lows over the summer, but pressures in unprocessed food have begun to build in August. The moderation was especially pronounced for processed food. Over the summer, price momentum (3m-o-3m) fell to zero, while annual inflation dropped to 0.4% y-o-y in September—its lowest level in more than 10 years—before edging up to 0.5% in October in the euro area (see Graph I.7.3.a). The slowdown was broad-based across all major food categories, with some—such as cereals, dairy, sugar, oils and fats—recording outright price declines on an annual basis. The current low readings for processed food inflation reflect favourable supply conditions, following last year's bumper harvests in the EU, combined with strong competitive pressures from imported food products [(15)]. Deflation in EU import prices of food (including both processed and unprocessed food) deepened to -4.0% y-o-y in July from -3.5% on average in the second quarter of 2026. However, price pressures in unprocessed foods appear to be firming [(16)] (see Graph I.7.3.b), reflecting the pass-through of higher energy and fertiliser prices, as well as the effects of the summer's extreme weather on agricultural production in several regions. As a result, after falling to 2.4% y-o-y in July, inflation in unprocessed foods rebounded in subsequent months, reaching 4.6% in October.

(15) Deflation in EU import prices of food deepened to -4.0% y-o-y in July from -3.5% and -3.2% on average in the second and first quarter of 2026 respectively.

(16) Mainly reflecting inflation of vegetables included in the unprocessed foods which rose from 0.8% y-o-y in July to 6.8% in September in the EU.

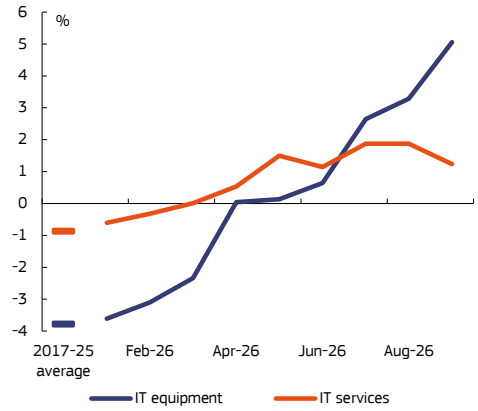
Graph I.7.4: **Services inflation in the euro area**



3-month moving average
The composition of energy and wage intensive services according to Fagandini, et al (2024).

Inflation of services has remained broadly stable since mid-2025. Since May 2025 services inflation has fluctuated within a narrow range of 3.0%-3.5% in the euro area and 3.3%-3.8% in the EU. There have been, however, important shifts across service categories. Prices have accelerated visibly for communication services and, to a smaller extent, for package holidays, accommodation and transport services, while easing in housing-related services, recreation and personal care (see Graph I.7.4.a). Clear patterns also emerge when services are grouped by main cost drivers. Notably, inflation in wage-sensitive services has continued to decline, falling to 2.7% y-o-y in September—its lowest rate in four years—suggesting that, so far, the energy shock has not triggered significant *second-round* effects [17]. At the same time, the absence of a clear trend in energy-sensitive services inflation points to still limited *indirect* effects of the energy shock on services prices overall (Graph I.7.4.b).

Graph I.7.5: **Annual inflation of IT equipment and services**



IT equipment includes: Mobile telephone equipment (CP0812), Information processing equipment (CP0813), Other information and communication equipment and accessories (CP0819), Video game computers, consoles, game applications and software (CP09211).
IT services include: Mobile communication services (CP0832), Internet access provision services and online storage services (CP0833), Bundled telecommunication services (CP0834), Other information and communication services n.e.c. (CP08399).

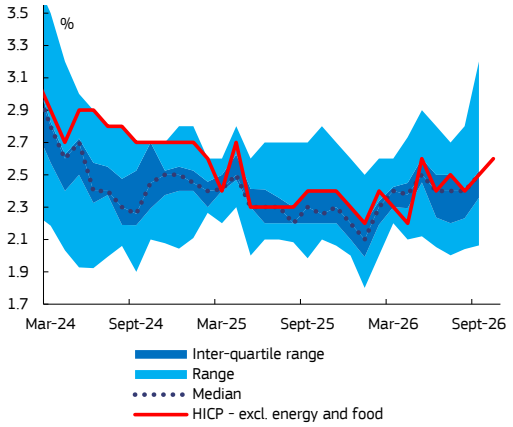
Inflation of industrial goods edged up over the summer. It rose from 0.5% in the first quarter of 2026 to 0.7%-0.9% between April and July, climbing further to 1.2% in August, where it stayed until October. The increase was driven by two factors: a one-off upward adjustment in medicine prices in Germany [18], and a steady rise in inflation of IT and communication equipment, notably computers and smartphones. Together with the visible acceleration in inflation of internet and information processing services (part of the *Communication* grouping in Graph I.7.4), the latter development likely points to rising demand pressures linked to the increased adoption of AI and expansion of data centres across the EU (see Graph I.7.5).

[17] The inflationary impact of an energy shock is typically assessed through three channels: direct, indirect and second-round effects. The direct effect captures the mechanical impact on headline inflation of a higher-priced product that is directly consumed by households (e.g. fuel). The indirect effect captures changes in firms' production costs, which are passed on to final consumers (e.g. transport services). Second-round effects occur when a price shock raises inflation expectations and feeds into wage and price-setting behaviour, thereby causing further broad-based inflation pressures.

[18] As part of the healthcare reform, pharmacy fees for prescription drugs were adjusted up in July 2026.

Core inflation (excl. energy and food) ticked up in May and has since broadly stabilised. The modest increase —driven by non-energy industrial goods prices— followed twelve months of core inflation hovering slightly above 2%. A broader assessment of underlying price pressures (see Graph I.7.6) confirms a firming of these pressures over the course of 2026. Both the median and the range of 19 alternative measures of underlying inflation indicate a mild increase in the first half of the year, followed by broad stabilisation during the summer months.

Graph I.7.6: **HICP excl. energy and food, and a range of 19 alternative underlying inflation indicators in the euro area**



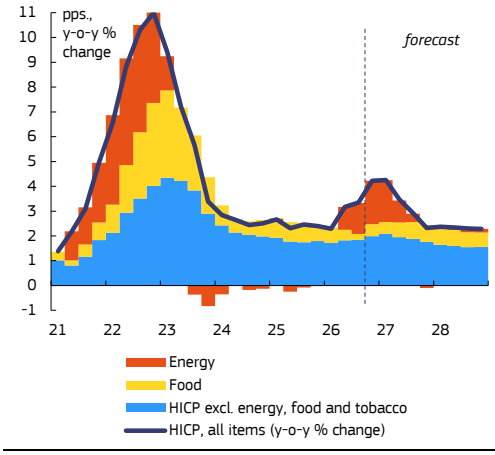
Median, interquartile range and range refer to a group of 19 underlying inflation indicators monitored by the ECB: 10 trimmed means with trims ranging from 5 to 50%, weighted median, 3 standard exclusion-based measures (excl. energy, excl. energy and unprocessed food and excl. energy and food), 2 ECB supercore indicators and 3 ECB Principal Common Component of Inflation Indicators.
HICP excl. energy and food refers to euro area 21 data while ECB indicators to euro area changing composition.

Source: ECB.

Energy inflation is set to remain high in 2027 despite falling energy commodity prices. Given the assumed decline in Brent oil prices (see Section I.3. Energy and commodity markets) as of late October, transport fuels prices—petrol and diesel—are expected to decline gradually from their peaks, providing an immediate disinflationary impulse that is set to turn deflationary as from mid-2027 onwards. By contrast, the decline in wholesale prices of gas and electricity is expected to feed through to consumers much later, owing to longer transmission lags. Therefore, most household gas and electricity contracts in the EU are still likely to be adjusted upwards in the coming quarters, even as TTF prices embark on the expected declining path. Nevertheless, energy inflation is projected to moderate next year, as falling fuel prices more than offset the gradual rise in electricity and gas. Overall, energy inflation in the euro area is expected to peak at above 20% y-o-y, before coming down over the course of next year, averaging 7% for 2027 as a whole, and moderating to around 1% and 0% in the EU and euro area, respectively.

The entry into operation of the second EU Emissions Trading System (ETS2) is forecast to impact energy inflation in 2028. The ETS2 introduces carbon pricing for CO_2 emissions from fossil fuels used in buildings, road transport and industries not covered by the ETS1 [19]. The transmission of the carbon price to consumer prices for fossil transport and heating fuels is forecast to generate an impulse to consumer energy prices in 2028 [20], with its strength reflecting carbon intensity of domestic heating and transport, as well as existing climate policies and energy taxation. In some Member States, this impulse is expected to offset the deflationary effect of the decline in the energy commodity prices, keeping energy inflation positive in 2028.

Graph I.7.7: **Inflation breakdown, EU**



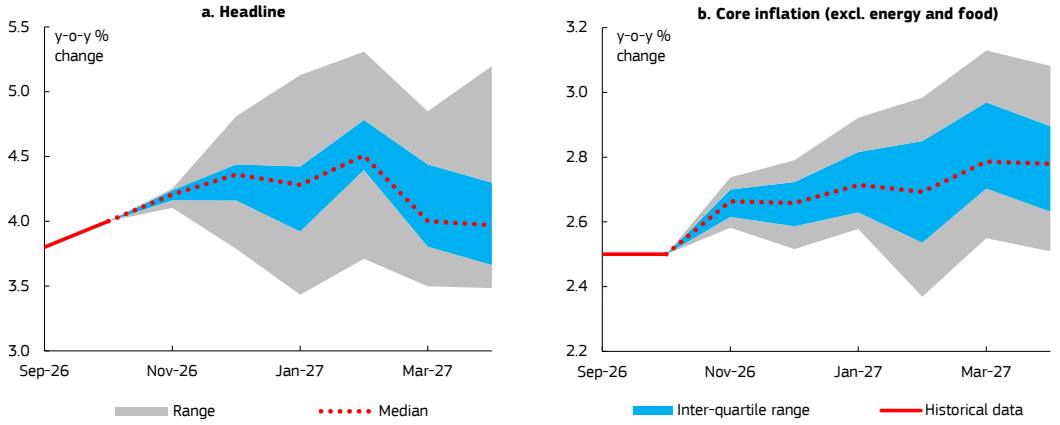
The energy shock is set to pass through to non-energy HICP components over the forecast horizon. Price pressures are expected to broaden progressively, as rising energy costs

(19) For details see Special Issue 3. Trends in carbon intensity and the macroeconomic role of the EU Emissions Trading System in European Commission (2025).
(20) This impact can be mitigated by the Social Climate Fund.

feed through the production and distribution chains and are ultimately partially passed on to consumers (see Box I.7.1). Food prices are expected to be affected most strongly, as the impulse from higher prices of fertiliser and energy – particularly for gas – will be compounded by lower supply in many agricultural markets due to the extreme heatwaves and droughts in the summer of 2026, as well as supply bottlenecks in specific markets (e.g. grain) caused by Russia's war of aggression towards Ukraine and the conflicts in the Middle East. The expected rise in annual food inflation is set to be supported also by this year's low base created by the deceleration in price momentum this summer. As a result, food inflation is expected to rise from just above 2% projected for 2026 to around 3% in 2027, before easing in 2028. Services inflation is expected to be affected mainly through higher input costs in transport, package holidays and other energy-sensitive sectors. Slightly stronger-than-expected wage growth is set to strengthen the pass-through, which has so far been limited. Consequently, services inflation is projected to persist above 3% this and next year and ease below 3% in 2028 in both areas. Finally, inflation in non-energy industrial goods is projected to gradually increase from 0.5% in 2025 to 1.0% in 2026 and around 1.3% in 2027. This reflects several factors, including the healthcare reform in Germany, which will raise the cost of medicines and medical treatments further in January 2027; continued strengthening price pressures in IT-related goods and services; and the ongoing pass-through of higher energy prices via higher production and transport costs. Inflation is then projected to ease back in 2028 to around 1%, still considerably above the long-term average.

Headline inflation is expected to peak at the turn of the year. The peak is expected at above 4% in 2026-Q4 in the euro area and 2027-Q1 in the EU. Inflation is then expected to decline to 2.1% and 2.3% in the fourth quarter of 2027 and remain unchanged throughout 2028. In both the euro area and the EU, headline inflation is thus projected to remain above 3%, on average in 2026 and 2027 and drop by approximately 1 pp. in 2028, averaging 2.1% in the euro area and 2.3% in the EU. Meanwhile, core inflation (excluding energy and food) is expected to rise in the coming months, peaking at around 3% in the first quarter of 2027 in both regions. It is then forecast to ease to roughly 2.5% in the final quarter of 2027, and further down to just above 2% in the final quarter of 2028. Euro area inflation projections using detailed information on selling price expectations from the Commission's business surveys broadly confirm the near-term outlook for headline and core inflation. The median of headline inflation forecasts peaks in early 2027 and moderates from March onwards, while core inflation continues on a mild upward trend throughout the six-month forecast horizon (see Graph I.7.7). Separately, the magnitude and profile of revisions to euro area headline inflation over the forecast horizon appears consistent with financial market inflation expectations, which increased sharply at the short-term horizons but remain anchored at around 2% over the medium-term (see Section I.4, Graph I.4.2).

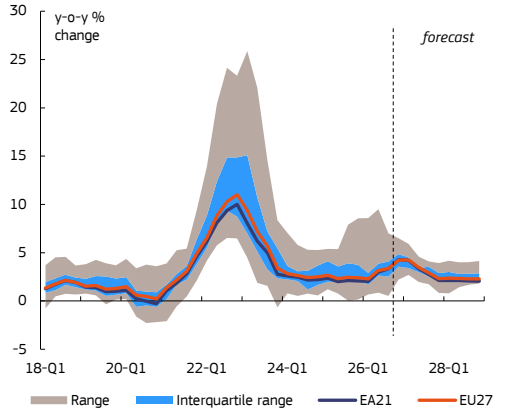
Graph I.7.8: **Inflation forecasts generated by selling price expectations models, euro area**



Charts present median, interquartile range and range of 16 forecast series generated by alternative selling price expectations models for the HICP components. Both headline and core inflation are calculated by aggregating component forecasts. [21]

Dispersion of intra-EU inflation rates is set to continue narrowing. Unlike the 2021-22 energy shock, the current one has not led to a widening of inflation differentials across the EU (see Graph I.7.9). This mainly reflects its smaller magnitude and global nature. The outlook for a further narrowing of inflation differentials also reflects an expected decline in dispersion among non-energy components. After peaking in early 2026, this dispersion has already eased markedly, driven by convergence in food, services and industrial goods inflation across Member States, and is set to continue declining in 2027 and 2028. Nevertheless, the long-standing pattern of higher inflation in the central and eastern Europe is expected to persist in the forecast horizon. This reflects the region's higher share of energy in the consumption basket and the stronger impact of ETS2, but also the outlook for more persistent core inflation underpinned by more dynamic wage growth (see Graph I.7.10).

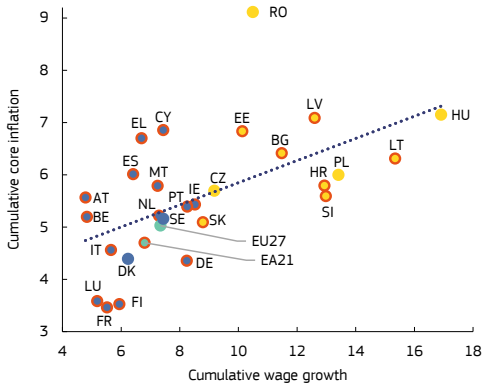
Graph I.7.9: **Range of annual HICP headline inflation rates in EU Member States**



[21] Details of the model are described in Axioglou et al (2025).

Growth in the GDP deflator is projected to broadly stabilise, hovering between 2.6% and 2.8% throughout the forecast horizon. The difference from the profile of headline inflation reflects the exclusion of import prices. A relatively modest uptick in the GDP deflator growth in 2026 and 2027 masks a shift from the contribution of compensation per employee towards unit profits in 2026, continued – to a smaller extent – in 2027. Notably, productivity growth is projected to subtract from the deflator in all forecast years, while contribution from unit taxes is set to fall from 2025 to 2026, before rebounding mildly in 2027 and 2028.

Graph I.7.10: **Core inflation and wage growth (2027-2028 cumulative)**



Central and eastern European countries marked by yellow dots, euro area countries marked by red outline.

Graph I.7.11: **Decomposition of the GDP deflator, EU**

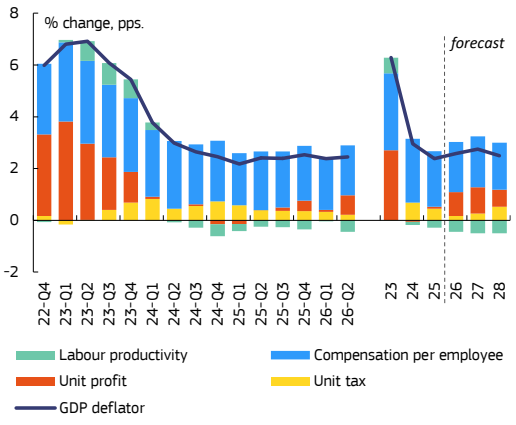


Table I.7.1: **Inflation outlook - euro area and EU**

(Annual percentage change)	Euro area (21)							EU						
	Autumn 2026 Forecast				*Spring 2026 Forecast*			Autumn 2026 Forecast				*Spring 2026 Forecast*		
	2025	2026	2027	2028	2025	2026	2027	2025	2026	2027	2028	2025	2026	2027
Private consumption deflator	2.0	3.1	3.0	2.1	2.0	2.9	2.4	2.3	3.1	3.1	2.3	2.3	3.0	2.4
GDP deflator	2.4	2.6	2.7	2.5	2.5	2.3	2.4	2.5	2.6	2.8	2.6	2.6	2.4	2.5
HICP	2.1	3.2	3.1	2.1	2.1	3.0	2.3	2.5	3.3	3.2	2.3	2.5	3.1	2.4
HICP-overall excluding energy	2.5	2.4	2.6	2.3	2.5	2.5	2.5	2.8	2.5	2.8	2.4	2.8	2.6	2.6
HICP-overall excl. energy and unproc. food	2.5	2.3	2.6	2.2	2.5	2.3	2.5	2.7	2.5	2.7	2.4	2.7	2.5	2.6
HICP-overall excl. energy, food, alcohol, tobacco	2.4	2.4	2.6	2.1	2.4	2.3	2.5	2.6	2.6	2.7	2.2	2.6	2.5	2.6
Compensation per employee	3.8	3.5	3.5	3.2	3.9	3.2	3.2	4.1	3.7	3.7	3.5	4.2	3.5	3.5
Unit labour costs	3.3	2.6	2.6	2.3	3.2	2.7	2.3	3.2	2.6	2.6	2.4	3.1	2.7	2.4
Import prices of goods	-0.7	5.1	2.7	-0.2	-1.0	3.7	0.5	-0.9	5.0	2.6	-0.1	-1.1	3.5	0.5

Box I.7.1: **The direct impact of imported energy price shocks on consumption prices**

Input-output tables can be used to trace the propagation of the energy price shock to final domestic prices. The analysis in this Box estimates the impact of a stylised energy price shock on consumer prices in the EU. Using Eurostat's input-output FIGARO tables, [1] it follows the shock along supply chains to show how it spreads through the economy. Specifically, it assesses the impact on the private consumption deflator of a 10% increase in the prices of crude oil, natural gas and coal imported from outside the EU. [2] Moreover, import prices of refined petroleum products are assumed to move in line with those of domestically produced refined products. The detailed industry breakdown of the FIGARO tables makes it possible to identify the sectors through which higher costs are ultimately passed on to goods and services.

The results should be read as a stylised simulation. The exercise is static and linear; it captures the direct and indirect cost effects once retail contracts have fully adjusted, assuming that cost increases are fully passed on along the supply chain. It does not include second-round effects such as wage responses, changes in profit margins or demand adjustments, or changes in production efficiency. The simulated shock is not a global shock: prices of non-energy products imported from outside the EU, such as food or fertilisers, are held constant, although they would also rise as foreign producers face higher energy costs. The wholesale electricity price is typically set by the most expensive producer needed to meet demand, often gas-fired. Electricity from nuclear or renewable sources is then sold at a higher price although its costs do not change, so producers' margins rise. The cost-based approach followed in the baseline simulation therefore understates the effect on electricity prices, which the sensitivity analysis on electricity prices addresses. For these reasons, the results may not be fully comparable with empirical estimates of pass-throughs of energy price shocks, but can help inform the forecast.

Oil is the main conduit through which energy price shocks pass through to consumer inflation. The simulation results suggest that a 10% external shock to energy prices raises consumer prices in the EU by 0.22%. Crude oil accounts for half of this increase (0.11 pps.), while natural gas contributes around one third (0.08 pps.). Imported petrol, diesel and other refined fuels – the prices of which are assumed to rise by slightly more than half of the crude oil price shock, with a coefficient of 0.55 – together account for the remainder [3], whereas the impact of coal is negligible (see the left-most layer in Graph 1).

The transmission of the shock through the domestic economy is concentrated in a limited number of channels.

- Crude oil enters the economy primarily through refineries, which pass on higher costs to the rest of the economy via fuels (middle layer in Graph 1). Around two thirds of the total oil price impact reach households through higher prices of motor fuels and heating oil (right-most layer in Graph 1).

(1) A Leontief cost-push price model is applied to Eurostat's 2024 FIGARO inter-country product-by-product input-output table, covering the 27 Member States and the rest of the world. The shock is applied to import prices of mining and quarrying products (CPA B) and refined petroleum products (C19). Since FIGARO does not distinguish crude oil, natural gas and coal within CPA B, imports in that category are split using Comext trade data. Imported crude oil is allocated to refineries, while other users receive the remaining mix of gas, coal and other minerals.

(2) Imported electricity is not considered, due to its negligible share in energy imports (around 1%).

(3) The parameter is consistent with the EU-wide response implied by the FIGARO tables. A higher pass-through from oil to refined products changes the results only little. A pass-through of 0.8 instead of 0.55 adds 0.01 pps to the total impact.

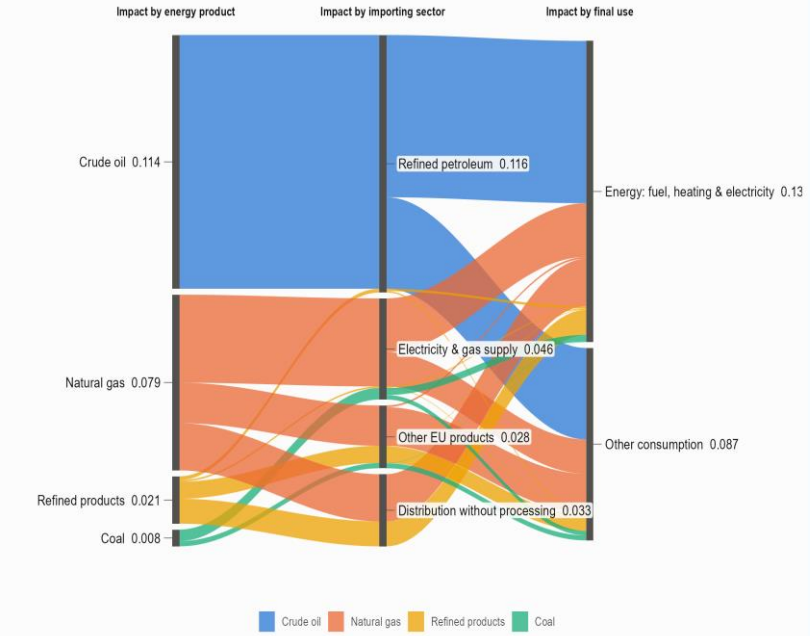
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Box (continued)

- Natural gas affects households mainly through higher prices of electricity and gas used for heating [4]. Together, these two items account for around two thirds of the total gas price effect of the energy price increase. The remaining third is transmitted through other goods and services in the consumption basket. Assuming a full pass-through from gas prices to wholesale electricity prices, following the estimates of Kosch et al. (2022), the impact would increase by about 0.06 pps., raising the total impact on the consumption deflator to 0.28%. [5]

- Imported refined petroleum products affect private consumption mainly directly [6] through higher prices of motor fuels. Indirect effects operating through higher prices of food, industrial goods and services account for around 40% of the total impact

Graph 1: **How a 10% increase in imported energy prices feeds into the consumption deflator in the EU**



Each column in this chart adds up to 0.22%, which is the total effect of a 10% shock to imported energy prices on the EU consumption deflator. The left column splits this effect by imported energy product, the middle column shows the importing sector in the EU, and the right column shows the prices of final goods and services in which the effect ends up, grouped into energy and other goods and services.

(4) Input–output tables include flows of natural gas and refined products to consumers without the intermediation of the energy sector, suggesting direct imports of these products by consumers. This reflects a statistical convention: domestic suppliers that buy gas and resell it without transforming it are treated as intermediaries. Their contribution is recorded separately as a distribution or trade service, while the gas itself is attributed to the final user. The data therefore describe the origin of what households consume, rather than the actual importer.

(5) The rise in electricity prices in the baseline simulation is proportional to the share of imported fuel in power companies' costs, which is about a tenth across the EU. Most of the cost of supplying electricity comes from other factors: fuels sourced in Europe (renewables, nuclear...), maintenance of the grid, and the investment and labour cost behind power plants. However, wholesale electricity prices are set by the most expensive power plant needed to meet demand, which is frequently a gas plant. Assuming wholesale electricity prices rise by €1/MWh for each €1/MWh increase in the TTF gas price, electricity adds a further 0.06 pp. The pass-through parameter is an average of estimates for 13 EU countries weighted by electricity consumption. See M. Kosch, K. Blech and J. Abrell. "Rising Electricity Prices in Europe: The Impact of Fuel and Carbon Prices", October 6, 2022. Assuming a heat rate of 2 MWh of gas per MWh of electricity, this implies that gas sets the price in about half of all hours, in line with the Spring 2026 Forecast (Box I.6.1).

(6) See the previous footnote.

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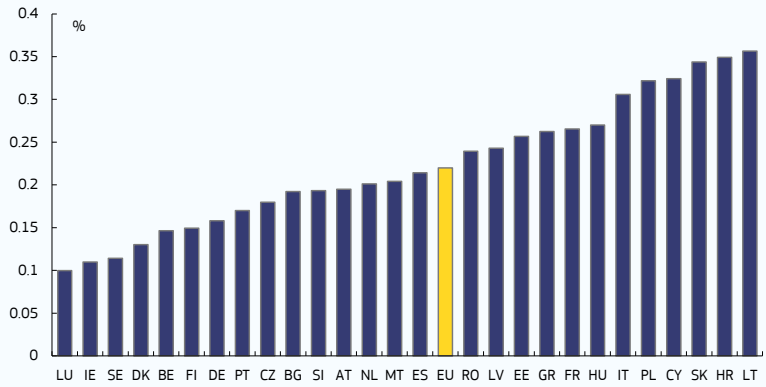
Box (continued)

Energy-related bills account for most of the hit on household budgets, but non-energy consumption also contributes noticeably. Higher prices of motor fuels and heating oil (0.09 pps.) and for electricity and gas (0.05 pps.) together account for around 60% of the total inflation effect (see the right-most layer in Graph 1). The rest is spread across other goods and services, whose prices have been pushed up indirectly through more expensive production and distribution.

Across Member States, the effects of the energy price shock differ significantly. The impact on the consumption deflator ranges from around 0.1% to almost 0.4% (Graph 2). Consumer prices in Lithuania, Croatia, Slovakia, Cyprus, Poland and Italy appear to be hit the hardest, with an impact of between 0.3% and 0.4%. The smallest impacts, at around 0.1%, are estimated for Luxembourg, Ireland, Sweden and Denmark. Among the largest euro area economies, the impact ranges from slightly above 0.3% for Italy, below 0.3% for France to around 0.2% for Spain and the Netherlands, and below 0.2% for Germany.

Differences across countries are mainly driven by variation in energy consumption, import dependence and the energy intensity of domestic production. The share of energy in household consumption matters: where fuel, heating and electricity account for a larger share of household spending, the same energy price increase has a stronger effect on the overall price level. In addition, exposure depends on the energy mix and on how much of each fuel is imported from outside the EU. Oil, almost entirely imported, is the main driver in all countries, mainly through motor fuels. The impact of gas varies considerably depending on its role in residential heating and electricity generation. Countries that generate power mainly from nuclear, renewables or other domestically sourced inputs are less exposed in this baseline simulation. [7] Finally, the amount of energy use in domestic production shapes the extent to which higher energy costs are passed through to the prices of food, manufactured goods and services. The impact through this channel is stronger in countries with more energy-intensive manufacturing, transport and agriculture.

Graph 2: **Impact of a 10% increase in imported energy prices on the consumption deflator across Member States**

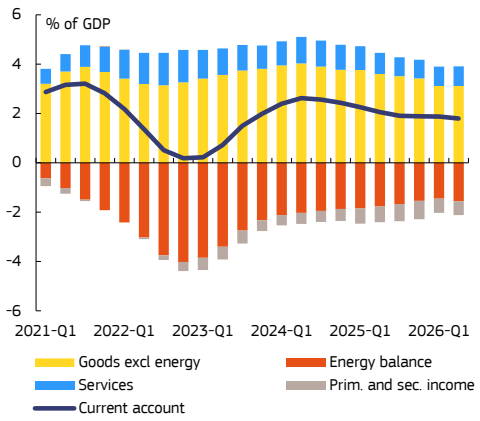


[7] See also the sensitivity check for the EU above.

8. EXTERNAL TRANSACTIONS

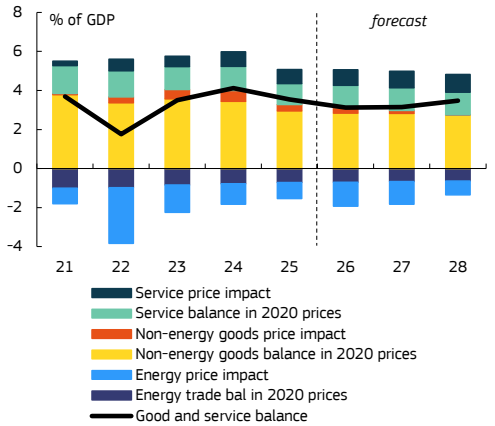
The EU current account surplus narrowed in the first half of 2026, with a pronounced decline in the second quarter, as expected. Against a backdrop of continued structural dependence on fossil fuel imports, the renewed surge in energy prices as from end February substantially increased import prices. The impact of this increase on the current account became apparent in 2026-Q2, when the energy deficit increased by almost 0.5 pps. of GDP compared with the previous quarter. On four-quarter cumulative basis, the increase was more modest, at 0.1 pps (see Graph I.8.1), as the widening of the energy deficit in the first half of 2026 was largely offset by its narrowing in the second half of 2025. Over the first half of the year, the deterioration in the energy balance was partially offset by a strong rebound in goods exports. Nevertheless, following significant market share losses in 2025, exports of non-energy goods remained below their 2025 average. As a result, the goods trade balance in 2026-Q2 stood around 0.3 pps. of GDP below its 2025 levels (see Graph I.8.1). Imports of services also increased, driven by continued growth in imports of intellectual property rights, as well as transport and insurance services, the latter likely reflecting higher energy-related freight and insurance costs. However, this increase was offset by robust growth in services exports. As a result, by mid-2026 the services balance remained unchanged at 0.8% of GDP. Together with slightly higher primary and secondary income balances, this cushioned the decline in the current account balance-to-GDP ratio, which stood 0.1 pps. below its 2025 levels.

Graph I.8.1: **Current account (BOP), EU**

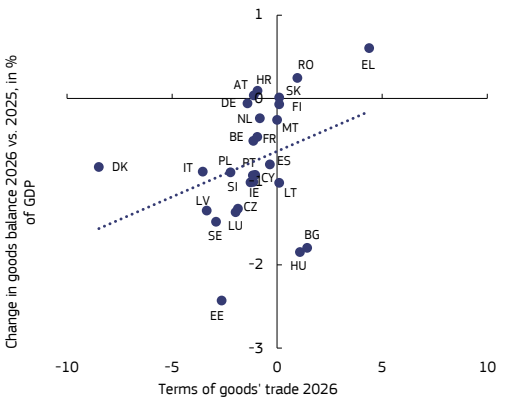


Four-quarter cumulative data, Balance of payments.

Graph I.8.2: **Current account, EU. Breakdown by components, price and volume effects**



Graph I.8.3: **Change of terms of goods' trade in 2026 vs. change of goods' balance in 2026, Member States**



The EU merchandise trade balance is projected to deteriorate further in the second half of 2026, mainly reflecting continued worsening of the terms of trade. Based on energy futures at the forecast cut-off date, energy import prices are expected to be, on average, higher in the second half of the year than in the first. The energy deficit is thus projected to reach 1.9% of GDP in 2026 as a whole, 0.4 pps. above its 2025 level. The deterioration would nevertheless be considerably smaller than in 2022, following Russia's full-scale invasion of Ukraine, primarily reflecting a less pronounced surge in energy prices and, to a lesser extent, lower import volumes of

fossil fuels. Beyond energy, a further, lower positive contribution of the terms of trade for non-energy goods is also expected to weigh on the merchandise trade balance. Overall, the merchandise trade surplus is projected to narrow by 0.5 pps. of GDP in 2026, to 1.2% of GDP – its lowest level since 2011, apart from the exceptional low recorded in 2022.

The merchandise trade balance is expected to improve only in 2028. Despite the expected moderation in energy prices, growth in goods import prices is still projected to slightly outpace export prices in 2027. The resulting further deterioration in the goods terms of trade will weigh on the merchandise trade balance, which is projected to decline to 1.1% of GDP in 2027 (see Graph I.8.2). The balance is projected to improve to 1.4% of GDP in 2028, largely driven by a narrowing of the energy deficit. The surplus in non-energy goods is expected to narrow slightly further over the forecast horizon, reflecting both somewhat faster import than export growth and a weakening of EU firms' pricing and market power vis-à-vis international competitors. The latter reflects ongoing losses in external competitiveness, which have weighed on the non-energy goods surplus since 2015 and have more recently been compounded by factors such as US tariffs and the appreciation of the euro. Differences across Member States in their exposure to energy imports and in cyclical conditions are expected to result in heterogeneous developments in the terms of trade, with corresponding implications for national goods trade balances (see Graph I.8.3).

The EU's services surplus, in contrast, is projected to further increase over the forecast horizon. Net services exports are expected to rise gradually, bringing the services surplus to 2.1% of GDP in 2028, 0.3 pps. above its 2025 level. The increase reflects both slightly improving terms of trade—even if heterogeneous across sectors—and an increase in services export volumes (see Graph I.8.2).

Overall, the decline in the merchandise trade balance is expected to more than offsets the improvement in the services balance, resulting in the slight narrowing of the current account surplus as a share of GDP in 2027, before recovering 2028. The latter is projected to fall from 2.3% of GDP in 2025 to 1.9% in 2027 (see Table I.8.1). It is expected to recover only partially in 2028, supported by an improvement in the trade balance, particularly through a narrowing energy deficit and, to a lesser extent, a further increase in the services balance, which is set to remain above the goods surplus throughout the forecast horizon. The other current-account components — the primary and secondary income balances — are set to remain broadly stable over the forecast horizon.

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

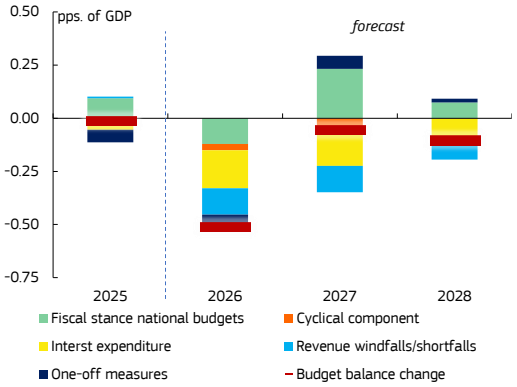
	Euro area (21 countries)							EU						
	Autumn 2026 Forecast				*Spring 2026 Forecast*			Autumn 2026 Forecast				*Spring 2026 Forecast*		
	2025	2026	2027	2028	2025	2026	2027	2025	2026	2027	2028	2025	2026	2027
Merchandise trade balance (a)	1.8	**1.3**	**1.3**	**1.6**	*2.2*	*1.3*	*1.2*	1.7	**1.2**	**1.1**	**1.4**	*2.1*	*1.1*	*1.1*
Services trade balance (a)	1.8	**1.9**	**2.0**	**2.1**	*1.7*	*1.8*	*1.9*	1.8	**1.9**	**2.0**	**2.1**	*1.7*	*1.9*	*2.0*
Primary income balance (a)	-0.2	**-0.1**	**-0.2**	**-0.2**	*-0.4*	*-0.3*	*-0.4*	-0.2	**-0.2**	**-0.2**	**-0.3**	*-0.4*	*-0.4*	*-0.4*
Secondary income balance (a)	-1.0	**-1.0**	**-1.1**	**-1.1**	*-1.0*	*-1.0*	*-1.1*	-1.0	**-1.0**	**-1.0**	**-1.0**	*-1.0*	*-1.0*	*-1.0*
Current-account balance (a)	2.4	**2.1**	**2.1**	**2.4**	*2.5*	*1.7*	*1.7*	2.3	**2.0**	**1.9**	**2.2**	*2.4*	*1.7*	*1.6*
Net lending or net borrowing (a)	2.4	**2.1**	**2.1**	**2.4**	*2.4*	*1.8*	*1.7*	2.4	**2.1**	**2.0**	**2.3**	*2.4*	*1.8*	*1.7*
Terms of trade (b)	0.5	**-1.4**	**-0.5**	**0.9**	*0.7*	*-1.2*	*0.3*	0.3	**-1.6**	**-0.4**	**0.9**	*0.5*	*-1.3*	*0.3*

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

9. PUBLIC FINANCES AND THE FISCAL POLICY STANCE

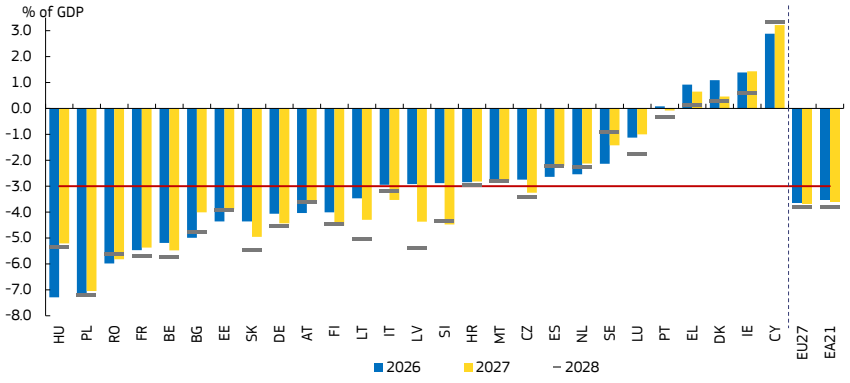
The aggregate EU general government deficit is expected to rise over the forecast horizon. The deficit ratio is set to widen to 3.6% of GDP in 2026, from 3.1% in 2025 (see Graph I.9.2), mostly reflecting the projected increase in interest expenditure, some revenue shortfalls [22] and slightly expansionary fiscal policies, in particular increased defence spending and temporary measures to cushion the impact of high energy prices on households and businesses [23] (see Graph I.9.1). The EU aggregate deficit is projected to rise slightly further to 3.7% in 2027, as still increasing interest expenditure and revenue shortfalls are largely offset by a mildly restrictive stance of national budgets. The phasing out of energy support measures contributes most to the budgetary restriction, while the planned further rise in defence spending works in the opposite direction. In 2028, the EU deficit is set to reach 3.8% of GDP on the basis of current policies. In the euro area, the government deficit is projected to increase from 3% of GDP in 2025 to 3.5% in 2026, 3.6% in 2027 and 3.8% in 2028.

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



An increasing number of Member States is expected to record deficits higher than 3% of GDP. In 2025, 10 countries reported deficit ratios exceeding 3%. This number is projected to rise to 12 in 2026, and 16 in 2027 and 2028 (see Graph I.9.2). In 2028, eight countries are projected to have deficits above 5% of GDP (Belgium, France, Slovakia, Hungary, Poland, Latvia, Romania and Lithuania).

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



Government expenditure increases further as a share of GDP in 2026, before broadly stabilising in 2027-28 (see Graph I.9.3). The increase largely reflects the projected rise in defence spending [24] and, as discussed, higher interest expenditure. Spending financed by the RRF

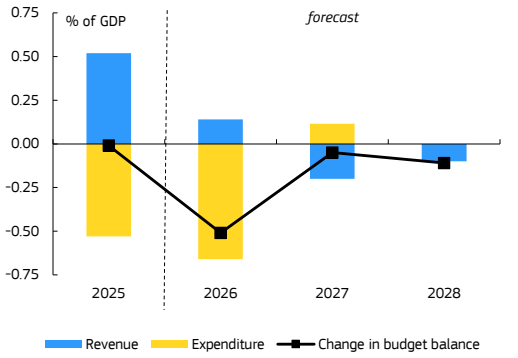
(22) Revenue windfalls (shortfalls) are increases (decreases) in the revenue-to-GDP ratio that are not explained by discretionary measures or transfers from the EU budget.

(23) The net budgetary cost of the new measures aimed at mitigating the macroeconomic and social impact of high energy prices on households and corporates is estimated at around 0.1% of GDP in 2026.

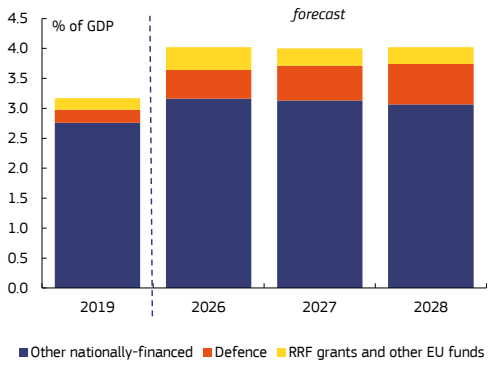
(24) Defence spending in the EU is set to increase from 1.6% of GDP in 2025 to 1.9% in 2026, 2.1% in 2027 and 2.2% in 2028 (according to the COFOG definition, which is consisted with the concept of expenditure and deficit used in the European fiscal framework) This rise is facilitated by the activation in 19 Member States of the national escape clause

in its final year of implementation, and other EU funds, is also expected to rise in 2026. The revenue-to-GDP ratio in the EU is forecast to increase slightly in 2026 and then to fall by a similar amount in 2027.

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

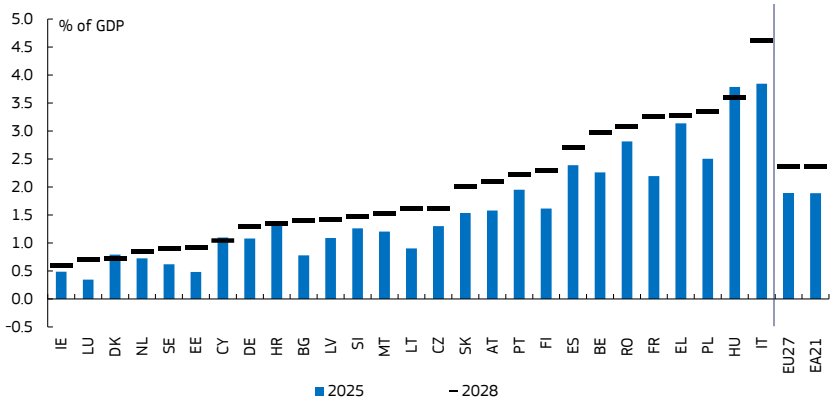


Graph I.9.4: **Public investment in the EU**



Public investment in the EU is set to stabilise at relatively high levels over the forecast horizon. The EU aggregate public investment ratio is expected to be 4% of GDP in 2028, up from 3.2% in 2019. As illustrated in Graph I.9.4, higher defence investment constitutes an increasing share of total public investment. By contrast, the end of the RRF entails some decline in the share of public investment financed by the EU budget in 2027-28.

Graph I.9.5: **Interest expenditure across Member States, 2028 vs 2025**



Interest expenditure is set to increase in most Member States over the forecast horizon. This reflects the combined effect of rising debt levels and the recent surge in sovereign yields. At the EU aggregate level, however, the implicit average interest rate on government debt is expected to rise only gradually, thanks to the relatively long average maturity of government debt of around 8.5 years [25]. Interest expenditure is projected to increase from 1.9% of GDP in 2025 to 2.4% in 2028. As a share of total government expenditure, it is expected to rise from 3.8% to 4.7% over the same period, which implies that a growing share of public resources will be absorbed by debt servicing, constraining the resources available for productive and redistributive spending. The

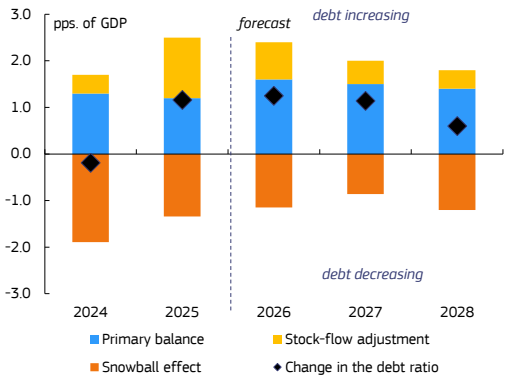
(NEC) of the Stability and Growth Pact, which gives additional budgetary flexibility that aims at facilitating the transition towards higher defence spending by 2028. Three Member States (Greece, Italy and Portugal) have also requested to benefit from the broadening of the scope of the NEC to energy security measures. See also Escape Clauses - Economy and Finance - European Commission and Commission Notice – Guidance to Member States on Broadening the Scope of the National Escape Clause for Energy Security

(25) See Eurostat: Structure of government debt.

increase will vary considerably across Member States, depending not only on their debt levels but also on the interest rates applying to new issuances and the volume of maturing debt to be refinanced. Between 2025 and 2028, interest expenditure is projected to increase by 0.5 pps. of GDP or more in France, Belgium, Poland, Lithuania, Italy, Finland and Austria (see Graph I.9.5).

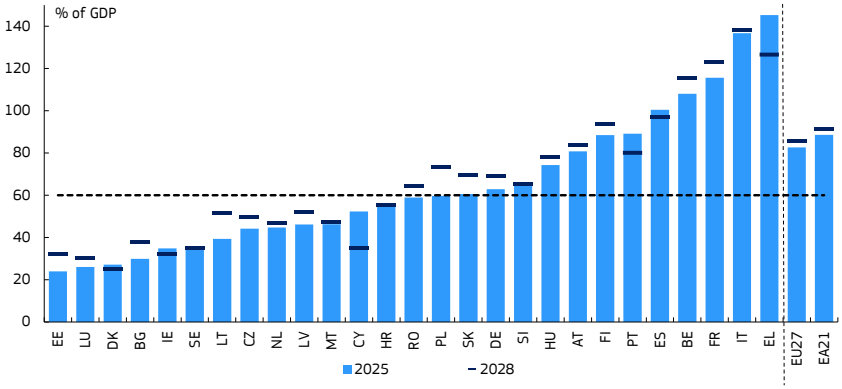
The aggregate EU debt-to-GDP ratio is projected to increase steadily over the forecast horizon. The public debt-to-GDP ratio, which had declined by more than 9 pps. between 2020 and 2024, rose by around 1 pp. in 2025, reaching 82.6%. It is expected to increase further to 85.6% at end-2028. The increase is driven by higher primary deficits and a less favourable interest-growth rate differential (snowball effect). Additionally, the stock-flow adjustment is expected to remain on average debt-increasing in 2026-28, though less so than in 2025 (see Graph I.9.6) [26]. Between end-2025 and end-2028, the debt-to-GDP ratio is projected to rise in 19 Member States, 12 of which with increases by more than 5 pps. of GDPs (see Graph I.9.7). By contrast, the debt ratio is set to continue declining significantly in Greece, Cyprus and Portugal thanks to their primary surpluses. By 2028, four Member States (Belgium, Greece, France, and Italy) are set to have debt ratios above 100% of GDP.

Graph I.9.6: **Drivers of the change in the EU government debt-to-GDP ratio**



The "snowball" effect is the impact on the debt ratio caused by the difference between the implicit interest rate paid on debt and the nominal GDP growth rate.

Graph I.9.7: **General government debt developments across Member States**



The EU fiscal stance is estimated to be mildly expansionary in 2026 and to turn slightly contractionary in 2027 [27]. The expansionary stance in 2026 is mainly driven by higher expenditure financed by the EU budget, especially by the RRF in its final year, as well as by nationally financed net current expenditure [28] (see Graph I.9.8). In 2027, restraint in both of these

[26] The stock-flow adjustment explains the difference between the change in government debt and the government deficit/surplus for a given period. The relatively large stock-flow adjustment in 2025 and 2026 is mainly related to the accumulation of financial assets, including by social security, the differences between payments and deliveries of military equipment, lags and leads in the flows between the Member States and the EU budget, and a number of valuation effects.

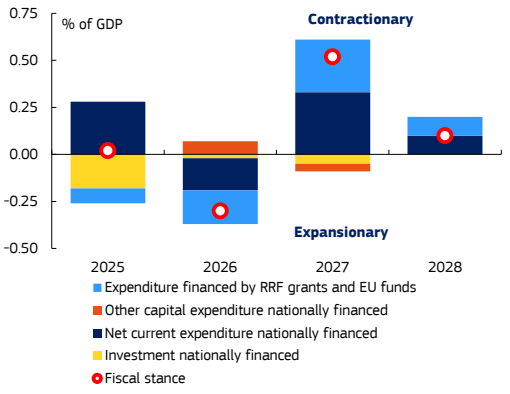
[27] The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. The fiscal stance is considered broadly neutral at a value within the -0.25% / +0.25% of GDP range, while it is considered expansionary (-) or contractionary (+) outside this range. For more details, see Cepparulo et al. (2024).

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

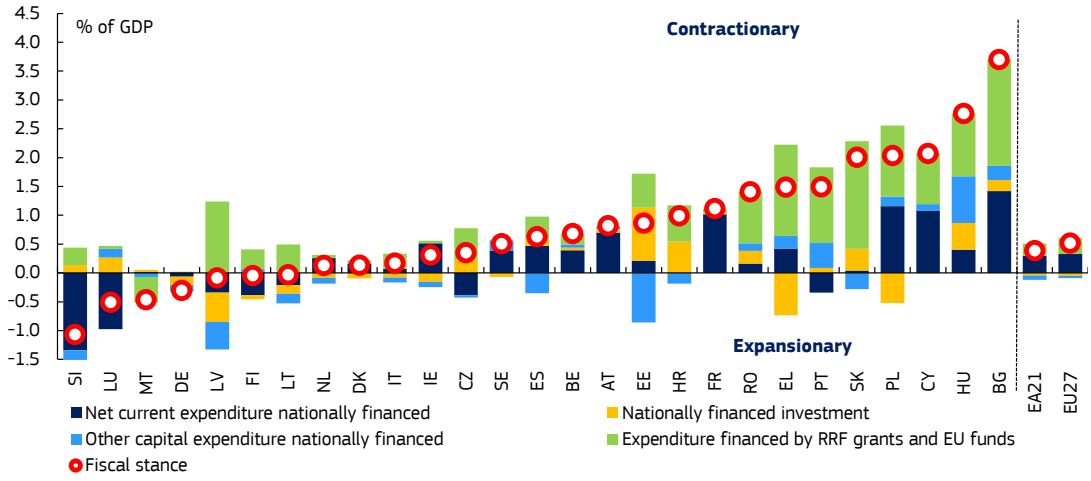
components is set to contribute to the contractionary turn in the fiscal stance. Under a no-policy-change assumption, the forecast points to a broadly neutral EU fiscal stance in 2028.

Most Member States are set to endure a contractionary fiscal stance in 2027. 17 Member States are projected to run contractionary fiscal stances in 2027. This is mostly due to the end of the RRF (that particularly affects countries that benefitted from the largest support) (see Graph I.9.9), and to the extent that the reduction in RRF funding is not fully offset by the expected absorption of other EU funds. Bulgaria, Hungary, Cyprus, Poland and Slovakia are set to have contractionary stances of more than 2% of GDP. The fiscal stance is expected to be expansionary in Slovenia, Luxembourg, Malta and Germany. Nationally financed investment is projected to be preserved or to expand in the majority of Member States. By contrast, net current expenditure is projected to provide a contractionary contribution to the fiscal stance in the majority of Member States, driven by consolidation efforts.

Graph I.9.8: **Fiscal stance in the EU and its components**



Graph I.9.9: **Fiscal stance in 2027 across Member States**

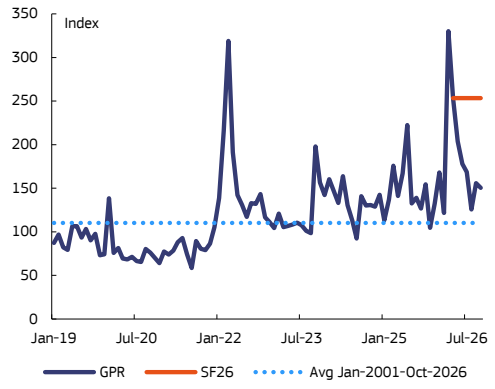


The fiscal stance is computed by comparing the increase in primary expenditure—net of the impact of cyclical elements of unemployment benefit expenditure and one-offs—with an increase that would be in line with 10-year nominal potential output growth, with the difference expressed as % of GDP. The fiscal stance also takes into account the impact of discretionary revenue measures and includes expenditure financed by EU budget grants. For this purpose what matters is the time when this expenditure is recorded in national accounts irrespective of lags or leads in the cash flows from the EU budget. In the case of defence equipment, expenditure is recorded at the time of delivery, which is often different from the related payments.

10. RISKS

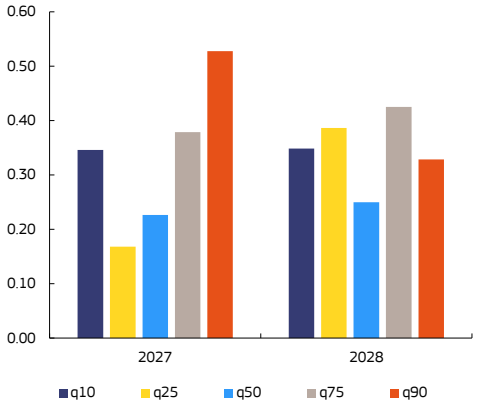
Risks to the outlook remain closely linked to the evolution of the conflict in the Middle East and elevated geopolitical tensions. The standoff between US and Iran is lasting longer than initially expatiated. Nevertheless, global geopolitical risk index has declined since its July peak (see Graph I.10.1). The decrease in geopolitical risk since the cut-off date of the Spring 2026 Forecast increased the likelihood of upside surprises to GDP growth in 2027. While it increased the median of expected GDP growth by 0.2pps., it raised the 75th and 90th percentiles of the growth distribution by 0.4 and 0.5 pps. respectively. It also shifted the entire distribution of 2028 growth expectations higher by about 0.3 pps. (see Graph I.10.2). This provides further evidence of the upside risks to growth associated with a reduction in geopolitical risk.

Graph I.10.1: **Global geopolitical risk index**



Geopolitical Risk (GPR) Index, on November 10, 2026.
Source: https://www.matteoiacoviello.com/gpr.htm

Graph I.10.2: **Impact on distribution of EU GDP growth: Geopolitical risk**



The estimated impact of a 40% decrease in the Geopolitical Risk Index, equivalent to the observed change between April and October 2026.

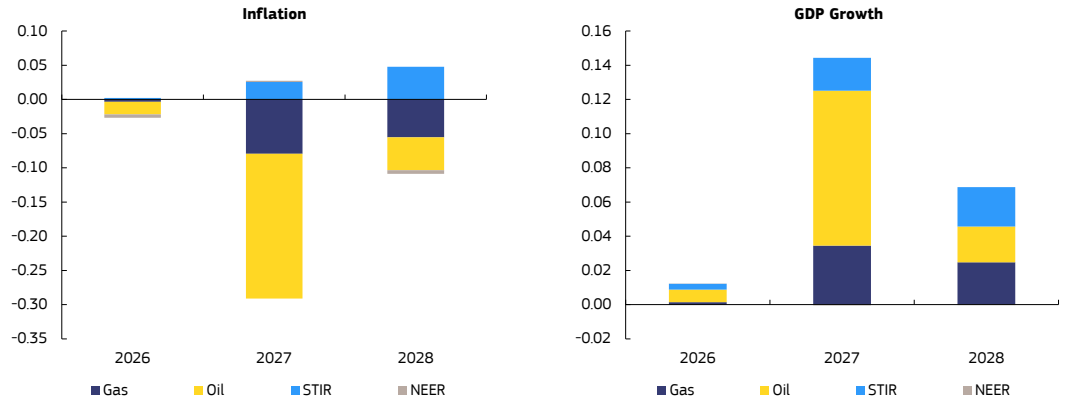
Energy price movements after the US mid-term elections suggest inflation might fall faster than projected. Oil prices have fallen sharply—averaging USD 92 per barrel just prior to the publication of the Autumn 2026 Forecast (average from 9th to 11th November), nearly 20% below the assumption underpinning the baseline forecast (average from 15th to 29th October)—as the results of the US mid-term elections eased fears wider military escalations. Futures curves, however, have adjusted only partially so far, leaving oil prices at the end of the forecast horizon just 6% below the reference value at the cut-off date. Gas markets show a comparable pattern. Lower energy prices have also pulled down market-based inflation expectations and, through that channel, the projected path of short-term interest rates and, to a lesser extent, long-term rates. Model-based simulations suggest that, while the projections for 2026 would hardly be affected, inflation in 2027 and 2028 could be 0.26 and 0.06 pps. lower than projected, respectively, if recent market conditions were to persist. In turn,

Table I.10.1: **Technical assumptions**

	2026	2027	2028
Crude oil (USD/bbl)			
Cut-off	99.3	95.4	81.8
Post cut-off	96.3	84.3	75.3
Difference, %	-3.0	-11.6	-7.9
TTF gas (EUR/MWh)			
Cut-off	59.6	74.0	46.9
Post cut-off	59.0	68.0	41.7
Difference, %	-1.1	-8.2	-10.9
Short-term interest rate			
Cut-off	2.4	3.3	3.3
Post cut-off	2.4	3.2	3.2
Difference, pps.	0.0	-0.1	-0.1
NEER			
Cut-off	109.5	107.6	107.6
Post cut-off	109.5	107.7	107.7
Difference, %	0.0	0.1	0.1

economic activity could be 0.14 pps. higher in 2027, with the additional momentum carrying over into 2028. [29]

Graph I.10.3: **Changes in technical assumptions - model-based simulation**



The impact of recent changes in technical assumptions on EU inflation and GDP growth was quantified with the Commission's GM model.

Against the backdrop of persistent tensions with Russia and increasing threats to Europe, a further deterioration in the security environment could weigh on economic activity through its effects on confidence, supply chains and firms' operating costs. As tensions in the Middle East seem to ease, security threats closer to Europe remain acute. After nearly five years, Russia's war of aggression against Ukraine continues to cast a shadow on Europe's prospects. State-sponsored or AI-enabled cyberattacks have emerged as a new threat to economic activity and supply chains, adding to inflationary pressures. The higher expenditure firms must incur to protect themselves against these risks raises operating costs and can divert spending away from more productive uses. Heightened security concerns could also weigh on business and household sentiment, dampening consumption and investment, especially on the EU's Eastern Flank.

Deeper trade relationships with like-minded partners could partly offset the negative impact of elevated trade policy uncertainty. Uncertainty remains over the future direction of US trade policy, including the expiry of the US-China tariff truce in early 2027 and the forthcoming review of the USMCA. Meanwhile, persistent EU-China trade imbalances, fuelled by China's state-supported industrial overcapacity and the use of trade dependencies as leverage, remain a source of concern. On the upside, protracted global trade uncertainty increases the attractiveness of the EU as a stable, rules-abiding economic bloc. Improving trade relations with the UK and deeper cooperation with partners such as Canada could provide further impetus to economic activity.

A disorderly correction in equity markets could weigh on economic activity and spill over onto broader financial markets. Volatility in financial markets remains elevated, especially in the United States but also in some East Asian markets, where high equity valuations and high concentration continue to be a source of concern. AI-related stock valuations appear vulnerable to correction if returns disappoint relative to the large scale of investment and associated external financing. While a correction in market valuations would ultimately remain contained to higher-wealth households who can easily cushion the financial shocks, a substantial downward revision of global AI investment plans could dampen EU exports. The complexity and opacity of AI investment financing schemes, together with the involvement of highly leveraged investors, also increase the risk that a disorderly correction in equity markets could spill over into bond and credit markets, potentially resulting in a broader and more pronounced negative impact on EU economic activity.

[29] Model-based simulations are done using the GM model, jointly developed The European Commission's Directorate-General for Economic and Financial Affairs and the Joint Research Centre. For a recent research application, see e.g. Pataracchia et al. (2026). The version used here covers the EU (rather than the euro area) and incorporates additional model features.

Renewed upward pressure on long-term interest rates could further increase pressures on public finances of several Member States and weigh on economic growth. Although yields have retreated from their summer highs, recent volatility highlights the importance markets attach to fiscal positions, medium-term debt trajectories and political developments. A further rise in borrowing costs could require more forceful fiscal adjustment, which would weigh on growth.

Faster adoption of AI by European firms could provide a significant boost to productivity, but could also disrupt labour markets. European firms are increasingly embracing AI, but its integration into business operations remains limited in scope: adoption is often concentrated in individual applications rather than extending systematically across business functions and production processes (EIB, 2025). Faster and deeper adoption of AI by EU firms could raise productivity across the economy, increasing potential output (see Box I.10.1) and helping contain labour costs. AI adoption, however, could also bring labour-market dislocations, as changing skill requirements and the automation of certain tasks could weigh on employment in some occupations. Any resulting weakening of the labour market could dampen consumption, partly offsetting the gains from higher productivity. Finally, the rapid expansion of data centres could significantly increase electricity demand, partly counteracting the downward pressure on electricity prices from the growing supply of renewable energy.

Further important upside risks to growth remain linked to several ongoing policy initiatives. Resolute policy action to address long-standing bottlenecks to investment and EU competitiveness could strengthen medium-term growth prospects and improve the economy's capacity to absorb external shocks. Sustained progress in the energy transition, including investment in renewable energy and overall energy efficiency, would further reduce Europe's vulnerability to fossil fuel price shocks. Stronger investment in European defence, infrastructure and industrial modernisation could also provide additional support to domestic demand and productivity growth over the forecast horizon. However, the forthcoming elections in several Member States in 2027 could result in political uncertainty and complicate policymaking. Further deployment of untargeted discretionary fiscal measures to shield households and firms from high energy prices could weaken incentives for decarbonisation and energy efficiency, while increasing medium-term fiscal consolidation needs.

The increasing frequency of severe climate- and weather-related extreme events weighs on economic activity and exerts upward pressure on prices. This is a particular concern for Europe, the continent experiencing the fastest pace of warming. The summer heatwaves and droughts of 2026 illustrate the impact of extreme weather on agriculture, energy markets (through higher cooling demand and disrupted electricity generation), supply chains (due to low river levels) and labour productivity. Wildfires also destroyed productive and natural assets, with lasting economic consequences. While adaptation measures may benefit some sectors, their financing may add to medium-term fiscal challenges.

Overall, in the near term, risks to growth remain two-sided, while risks to inflation appear tilted to the downside. Risks to growth reflect still-elevated geopolitical uncertainty, linked to the evolution of ongoing conflicts, including a further deterioration in Europe's security environment. Financial market-related risks remain another important source of uncertainty. On the energy front, developments in energy markets since the cut-off date, if sustained, introduce material downside risks to the inflation projections, while providing some upside for growth. The most prominent upside risks to growth would stem from faster progress in implementing growth-enhancing policies and structural reforms, as well as a faster-than-expected materialisation of productivity gains associated with the roll-out of AI, which might also provide additional relief from price pressures.

Box I.10.1: **Incorporating AI into potential output estimates: challenges and practices**

Artificial intelligence (AI) is reshaping the economy and will have significant implications for its long-term productive capacity. The adoption of AI is stimulating dedicated investment while also transforming business models, work organisation and skill needs, with consequences for both short-term growth and potential output. The Commission estimates potential output using the EU's Commonly Agreed Production Function Methodology (EUCAM), which combines the capital stock, trend labour input and total factor productivity (TFP) within a Cobb-Douglas production function (Arevalo et al., 2026). AI-related developments may affect potential output through each of these three channels: capital deepening, as firms accumulate AI-related assets; labour input, as AI influences hours worked and structural unemployment; and TFP, through efficiency gains stemming from production reorganisation, improved use of information, faster innovation, and changes in the workforce's skill composition. This box reviews these transmission channels, discusses the challenges involved in measuring their effects, and explains how AI-related developments are captured in EUCAM.

AI-related investment can raise potential output through capital deepening, but it is empirically difficult to isolate. In a standard production-function framework, investing in AI-related tangible and intangible assets expands the productive capital stock, raising potential output for a given level of labour input. However, evaluating the impact of AI-related investments presents two distinct empirical challenges. First, such investment is not separately identified in national accounts, making it difficult to isolate its contribution from that of other capital, such as broader ICT or software investment. Second, key complementary expenditures, notably on worker training and organisational restructuring, are typically expensed rather than capitalised. They are therefore missing from the measured capital stock, and their contribution to output ends up being captured in TFP instead.

The impact of AI on labour input remains uncertain. AI can substitute for human labour in some tasks, complement it in others, and create new tasks and occupations, leaving its net effect on employment unclear. Although current AI is particularly capable of performing cognitive tasks, exposure alone does not determine employment outcomes: these also depend on the scope for automation and how work is reorganised around AI (World Bank, 2026). Where substitution dominates, AI may also shift income from labour to capital, affecting factor shares independently of its effect on output. So far, evidence points to uneven effects across workers rather than widespread aggregate job displacement. In the United States, there is evidence of adjustment occurring mainly through reduced hiring, in particular for young workers in AI-exposed occupations, rather than increased lay-offs (Brynjolfsson et al., 2025; Lichtinger and Hosseini Maasoum, 2025). In the euro area, by contrast, firms using AI report stronger demand for complementary skills and higher hiring (European Commission, DG Employment, 2025; Lebastard and Sondermann, 2026). A key adjustment risk is that workers displaced from some tasks, or young people entering the labour market, may lack the skills required in expanding occupations. Such mismatches could temporarily increase structural unemployment and delay labour market entry, effects that EUCAM would capture through the NAWRU and trend participation. Shifts in factor shares, however, are not captured, as EUCAM's Cobb-Douglas specification holds them constant. [1]

Total factor productivity is potentially the largest channel through which AI affects economic growth. Adoption and deployment of AI, even where not domestically produced, can improve the efficiency with which existing technologies and knowledge are used, by enhancing information processing and resource allocation across tasks and firms. It may also shift the technological frontier outward by acting as an "innovation in the method of innovation" (Bontadini et al., 2025), accelerating the creation of new ideas. While the first channel raises the level of TFP, the second could also raise its long-run growth rate if AI durably increases the efficiency of knowledge

[1] The Cobb-Douglas specification on which EUCAM rests assumes a unit elasticity of substitution between capital and labour, thus holding factor income shares strictly constant. In contrast, general CES specifications would allow the elasticity parameter to deviate from unity, meaning factor shares shift dynamically as AI-driven automation transforms production and alter the relative demands for capital and labour. Given the high uncertainty surrounding AI's empirical impact on the production factors and their interrelation, the fixed-share approximation remains the operational standard.

(Continued on the next page)

Box (continued)

production. The magnitude of these effects is likely to vary across economies, depending on their sectoral and skill composition, as well as their capacity to innovate and adopt new technologies.

However, estimates of AI's contribution to productivity growth vary widely, reflecting differences in modelling approaches and underlying assumptions. Task-based approaches assess which tasks AI can automate cost-effectively, while macro-level approaches treat AI as a transformative technology that may also accelerate innovation. For a recent literature review, see European Commission (2026)[2] . The timing of the gains is also uncertain. Because the intangible investments that accompany AI adoption are largely unmeasured, measured TFP growth can follow a "J-curve" (Brynjolfsson et al., 2021): it is understated while firms invest in training and process redesign, and overstated once these investments pay off. This pattern reflects measurement issues rather than a genuine slowdown followed by a boom, so early productivity data are a poor guide to AI's eventual impact.

In the EUCAM framework, AI effects enter implicitly, as they materialise in the data and as projected in the Commission's Economic Forecast. Over the forecast horizon, the impact of AI is captured through projected investment, employment and productivity, feeding into the capital stock, labour input and TFP respectively. Beyond the forecast horizon, the projected developments are carried forward through the extension of trends. Long-run TFP growth projections rest on an endogenous growth specification (Romer, 1990), which provides a structural channel through which AI could raise long-term TFP growth by increasing the productivity of R&D and the efficiency of knowledge production. Other growth model specifications would have implied more limited effects: in semi-endogenous (Jones, 1995) and additive (Philippon, 2022) growth models, AI raises the level of TFP but does not permanently raise its growth rate.

Other institutional potential output frameworks account for AI either implicitly or explicitly, the latter through an ad hoc adjustment to trend TFP growth. The implicit approach followed in the EUCAM also underpins the ECB's unobserved-components model and the IMF reference forecast (IMF, 2026). The explicit approach is used by institutions such as the US Congressional Budget Office, the UK Office for Budget Responsibility, and the Bank of Canada. The adjustments to TFP growth typically draw on existing task-based estimates of AI's automation potential.

Overall, the effects of AI remain highly uncertain and therefore difficult to capture in the potential output estimates that underpin macroeconomic surveillance and fiscal policy. The pace of AI diffusion is uncertain, employment effects are ambiguous, AI-related investment is difficult to isolate and productivity effects are hard to assess. By incorporating AI only as its effects emerge in observed and projected investment, employment and productivity, EUCAM avoids building speculative gains into the fiscal benchmarks underpinning the EU's fiscal surveillance framework, while its long-term growth framework would carry forward any durable gains once they materialise. Risks for potential output estimates lie on both sides. On the upside, faster adoption and AI-driven gains in knowledge production could lift potential growth above current estimates. On the downside, overinvestment in rapidly obsolescing assets could leave little lasting addition to the capital stock, resource constraints could slow AI deployment, and AI adoption in the EU could continue to lag behind other major economies. Reducing this uncertainty calls for close monitoring of AI adoption and its returns, and assessment of alternative AI paths around the central potential growth projections.

[2] European Commission (2026), 2027 European Macroeconomic Report, Institutional Paper Series Forthcoming.

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

This box details the technical and ad hoc assumptions underlying this forecast. The cut-off date for taking information into account in this Economic Forecast was 3 November 2026, and 29 October 2026 for technical assumptions.

1. Technical elements behind the forecast

Exchange and interest rates

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

Commodity prices

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

Trade policies and assumptions

In its judgement of 20 February 2026, the US Supreme Court struck down the tariffs imposed under the International Emergency Economic Powers Act (IEEPA) in 2025. In response, the US administration introduced a 10% 'global tariff' under a new legal basis (Section 122 of the Trade Act of 1974), which allowed for across-the-board import restrictions for up to 150 days. Upon its expiration on 24 July 2026, the US administration replaced it with indefinite Section 301 tariffs of 10% to 12.5% across major trading partners, alongside specific product exemptions and country-level tariff caps. This tariff is assumed to apply irrespective of existing trade agreements with the United States and to remain unchanged over the projection horizon. As a result, the trade-weighted average US tariff rate on imports declined from 16.8% to 13.5% (according to WTO data). The effective US tariff rate on EU imports is assumed to decline from 12.1% (tariffs of 14/10, AF25) to 11.4% (according to WTO data). Larger tariff reductions are assumed for several other US trading partners, slightly negatively affecting EU relative competitive position.

Following the July 1, 2026 joint review—at which the United States declined to extend the agreement for a 16-year term—the USMCA has entered an annual review cycle, while the bilateral US-China trade truce is currently set to expire on January 10, 2027. In line with a no-policy-change assumption, the forecast holds existing tariff regimes unchanged across the projection horizon. Furthermore, the scheduled December 4, 2026 implementation of new Section 232 duties and minimum import prices on polysilicon derivatives used in solar panels and semiconductors—specifically polysilicon ingots,

(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)

silicon wafers, solar cells, and solar modules—is assumed to have a negligible macroeconomic impact, given the narrow product scope and extensive country-level carve-outs and tariff caps.

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 2026 Forecast			Spring 2026 Forecast		
	2025	2026	2027	2028	2025	2026	2027
3-month EURIBOR (percentage per annum)	2.2	2.4	3.3	3.3	2.2	2.4	2.6
10-year government bond yields (percentage per annum) (a)	2.6	3.1	3.5	3.6	2.6	3.0	3.2
USD/EUR exchange rate	1.13	1.15	1.12	1.12	1.13	1.17	1.17
GBP/EUR exchange rate	0.9	0.86	0.84	0.84	0.86	0.87	0.87
RMB/EUR exchange rate	8.12	7.81	7.48	7.48	8.12	8.04	8.02
JPY/EUR exchange rate	169.0	182.18	176.67	176.67	169.04	186.13	187.01
EUR nominal effective exchange rate (annual percentage change) (b)	4.55	0.47	-2.49	0.00	4.62	1.70	-0.08
Natural gas (EUR/Mwh) (c)	36.4	59.6	74.0	46.9	36.4	42.0	35.5
Electricity (EUR/Mwh) (d)	84.6	125.8	142.9	99.7	84.6	89.0	79.7
Crude oil (USD per barrel)	68.9	99.3	95.4	81.8	68.9	91.2	78.2
Crude oil (EUR per barrel)	60.9	86.3	85.1	73.0	60.9	77.8	66.6

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

ESA 2010

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

Calendar effects on GDP growth and output gaps

The Commission's annual GDP forecasts are not adjusted for the number of working days, but quarterly forecasts are. The number of working days may differ from one year to another, and the difference between the calendar-adjusted and -unadjusted annual growth rates—that is, the "working-day effect"—may be significant in some Member States. However, it is estimated to be limited on aggregate, at about -0.1 pps. for the EU and the euro area in 2026, and marginally in 2027 and 2028 (±0.1pps.).

Net expenditure indicator and fiscal stance

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

The inclusion of the Recovery and Resilience Facility in the forecast

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

Budgetary data and forecasts

The forecast incorporates validated public finance data up to 2025 as published in Eurostat's news release of 21 October 2026 [3] [4]. In its press release, Eurostat expressed a reservation on the quality

(2) See Autumn 2024 Forecast, Box I.2.4

(3) Euro area government deficit at 3.0% and EU at 3.1% of GDP - Euro indicators - Eurostat

(4) For Denmark, the latest available underlying detailed government finance data are from July 2026.

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Box (continued)

of data reported by Bulgaria for 2025. Eurostat is discussing with the Bulgarian statistical authorities the appropriate national accounts recording of some operations of the Road Infrastructure Agency (RIA) (Агенция Пътна инфраструктура). This will require additional data from the national authorities. Bulgaria is currently recording these amounts as impacting the 2025 deficit by 0.6% of GDP.

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.[5] 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 2026 and 2027 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2025, this implies an aggregate debt-to-GDP ratio that is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 21 October 2026 (by 1.3 pps. in the euro area 21 and by 1.1 pps. in the EU).

2. Ad hoc technical assumptions underlying the forecast

Russian war of aggression against Ukraine and geopolitical tensions

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

People fleeing the war in Ukraine to the EU

The number of beneficiaries of temporary protection in the EU was about 4.4 million by August 2026.[6] It is assumed that the number of active temporary protection registrations will decline to 4.3 million by the end of 2026 to 4.1 million by end-2027 and 3.9 million by end-2028.[7] Over 2026, new registrations are expected to continue declining at the average rate observed in the last three years, while downward revisions by Member States (i.e. data revisions by Member States reflecting people who returned to Ukraine, moved on to another country, or attained another status in their country of residence) are expected to continue at a rate reflecting the average over the same period. This results in the projection of an annual average of people seeking protection of about 4.4 million in 2026, 4.3 million in 2027 and 4.0 million in 2028. Assumptions on the geographical distribution of people fleeing the war reflect their current distribution across Member States. Finally, as the labour market integration of people fleeing the war continues to make progress, related assumptions remain broadly in line with the previous projections. Based on the available information, it is estimated that the adult employment rate of temporary protection beneficiaries in working age may have been around 48% as of mid-2026, with significant heterogeneity across host countries. Going forward, this employment rate is projected to increase to 50% by end-2026, 55% by end-2027 and 60% by end-2028.

Second EU Emissions Trading System (ETS2)

ETS2 will become fully operational in 2028. The price of ETS2 allowances in 2028 is assumed to be 55 EUR per ton CO2 in current prices, calculated as average of two elements[8] : (1) A 2025 Commission

(5) Report on Public Finances in EMU, 2016

(6) Eurostat [data code: migr_asytpsm].

(7) 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.

(8) For further background on ETS2 and the rationale for the methodology see Special Issue "Trends in carbon intensity and the macroeconomic role of the EU Emissions Trading System", European Economic Forecast Autumn 2025.

(Continued on the next page)

Box (continued)

estimate for analytical purposes [9], with 2027 and 2028 price assumptions weighted by ETS2 auctioning volumes, yielding EUR 49 in current prices, and (2) the price level which would trigger the release of additional allowances from the Market Stability Reserve, EUR 45 in 2020 prices, corresponding to EUR 61 in current prices (average of 2027 and 2028 prices). The forecast takes into account both direct impact on retail prices of fossil fuel heating energy and transport fuels and indirect impact on all other non-energy consumer prices.

[9] European Commission (2025). Commission Guidance on the Social Climate Plans, C(2025) 881 final.

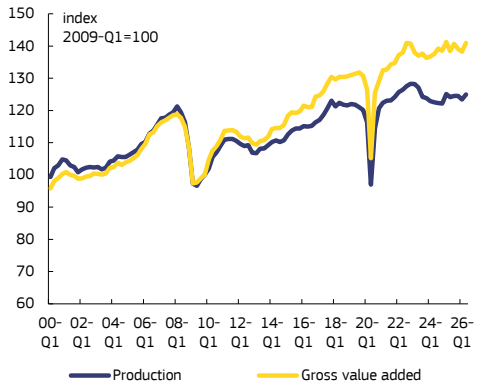
PART II

Special Issues

1. CYCLICAL AND STRUCTURAL DRIVERS BEHIND THE DYNAMICS OF THE EU MANUFACTURING SECTOR

The evolution of EU manufacturing activity reflects the interplay of structural and cyclical forces shaping its long-run trends and shorter-term fluctuations. This Special Issue disentangles the drivers behind the recent performance of EU manufacturing, based on statistical and econometric analysis. It analyses cycles of manufacturing activity at different frequencies, and uses a structural econometric model to uncover the drivers of manufacturing output in recent years.

Graph II.1.1: **EU manufacturing: real GVA vs industrial production**



EU manufacturing has struggled to regain momentum following the Global Financial Crisis. In its aftermath, manufacturing output, as measured by gross value added (GVA), contracted sharply and took almost a decade to recover, as growth throughout the 2010s remained weaker than in the early 2000s. Growth in manufacturing GVA slowed further from around 2018–2019, well before the pandemic. The COVID-19 shock then caused a new sharp but short-lived drop in production in early 2020. Despite a strong rebound following the lifting of lockdowns, this recovery also proved short-lived, with manufacturing output broadly stagnating since 2022.[30] Industrial production volume, another key indicator of industrial performance, paints an even weaker picture, pointing to slower growth since the global financial crisis (GFC) and more recent signs of contraction, in contrast to the stagnation observed in manufacturing GVA (see Graph II.1.1). In addition to methodological differences[31], this divergence may reflect the fact that high-technology subsectors, which tend to generate higher value added per unit of production, have recently performed better than low- and medium-technology industries. The analysis that follows however, focuses on manufacturing GVA, as it better captures the sector's contribution to the economy, discounting for the value of inputs imported or produced by other sectors.

Exploring cycle lengths in the historical evolution of EU manufacturing

Long-term trends and low frequency cyclical movements, rather than short-term volatility, have been the main drivers of EU manufacturing activity, making its developments a useful signal for economic forecasting. Since 2000, manufacturing gross value added has fluctuated around an upward trend (see Graph II.1.2) that accounts for three quarters of the total variance of the series (see Graph II.1.3).[32] However, even after removing the trend and adjusting for the sharp downward spike in 2020-Q2 associated with the COVID-19 pandemic, the share of variance attributable to low-frequency movements (cycles longer than 8 years) remains around 40% in the full sample, with only minor differences between the pre- and post-COVID periods. Fluctuations at frequencies between 10 and 32 quarters account for most of

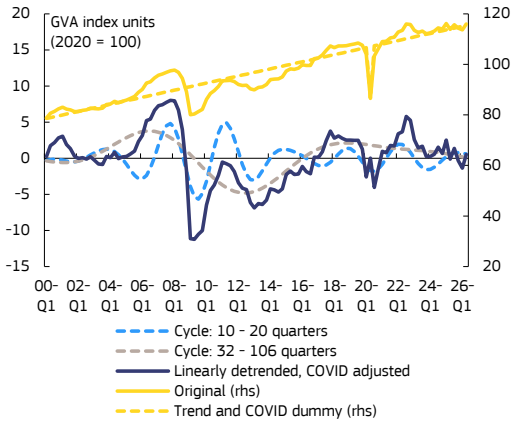
(30) Most of the drivers behind the weakness in EU manufacturing have already been extensively analysed in recent studies, see e.g. Banin et al. (2025), Chiacchio et al. (2023), De Santis (2020), Fidora et al (2024).

(31) Industrial production volume (IP) of the EU aggregates the output of each industry in each country with fixed weights, while GVA reflects the constant changes of these weights. Moreover, in contrast to GVA, IP does not account for certain activities such as services provided by industrial companies or contract manufacturing carried out in other countries.

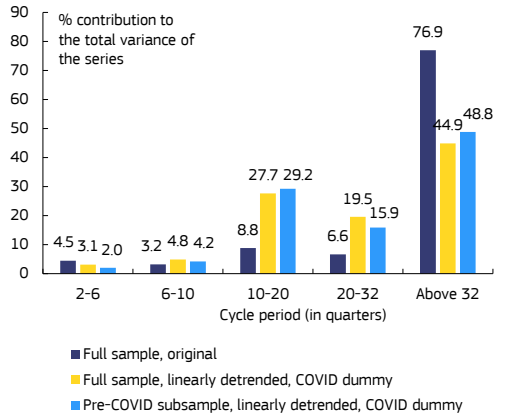
(32) Cyclical components are identified using spectral analysis based on the periodogram (Hamilton, 1994, Chapter 6), which decomposes the variation in manufacturing activity across different frequencies. Cyclical components are extracted using the Christiano–Fitzgerald (2003) asymmetric band-pass filter, which isolates fluctuations within predefined frequency bands. The analysis distinguishes short-term fluctuations (2–10 quarters), business-cycle movements (10–32 quarters), and longer cycles (32–106 quarters).

the remaining volatility, leaving less than 10% of variation occurring within 10 quarters, which corresponds to the typical horizon of the Commission's forecast. [33]

Graph II.1.2: **Gross value added: original, detrended and cyclical variation at selected periodicities**



Graph II.1.3: **Variance decomposition by cycle length**



Variance decompositions of EU manufacturing for the full sample and the pre-COVID subsample, using both the original and linearly detrended series, with an adjustment for the sharp downward spike in 2020-Q2.

Identifying historical drivers of manufacturing output with an econometric model

Identifying the relative importance of demand- and supply-side drivers is essential to understanding manufacturing activity over time. To address this, a structural econometric model is used to distinguish between drivers and assess their contributions to manufacturing developments over time. The model includes five variables: manufacturing gross value added, manufacturing producer prices, hours worked in manufacturing, industrial production outside the euro area and the cost of borrowing for euro area firms (with the latter two serving as proxies for extra-EU demand and EU-wide financing conditions, respectively). [34] The drivers of manufacturing activity are identified into five demand and supply groups using a structural econometric model (their estimated contributions to the recent evolution of variables are presented on Graph II.1.4).

On the demand side,

i) Financial shocks leading to more favourable financing conditions are assumed to reduce interest rates, increase manufacturing production, producer prices and hours worked.

[33] Results are also robust when using the manufacturing production index, albeit with a lower average growth rate in the estimated linear trend than for manufacturing GVA. Further analysis (not reported here) shows that manufacturing activity is more closely associated with demand indicators at business-cycle frequencies and with production inputs and energy costs over longer horizons. The co-movement of manufacturing GVA and producer prices at business-cycle frequencies (cycles of up to eight years), and their inverse relationship at lower frequencies, suggest a stronger role for demand-side factors in the short term and supply-side factors in the long term.

[34] A vector error correction model (VECM) is estimated for the period 2003Q1-2026Q2 including the five variables mentioned in the text, all expressed in natural logarithms except for the cost of borrowing in the euro area. The model is fitted on quarterly differences of the variables and includes a constant intercept term. This can be interpreted as allowing for a linear trend in level terms capturing the long-term historical growth path in manufacturing and the other variables included in the model. Recent developments are assessed against the same historical benchmark rather than introducing statistical breaks, for example around the global financial crisis, that would change the reference growth path and complicate the economic interpretation. Instead, persistent changes in manufacturing dynamics are captured through the model's residuals and reflected in the estimated contributions of the structural drivers over time. Structural shocks are identified using sign restrictions imposed on their impulse responses in the levels of the variables after 20 quarters. This way, identification focuses on the long-term impact of each shock instead of the short-term response that might be contaminated by noise. Results remain unchanged if the restrictions are instead imposed 4 quarters ahead. The restricted impulse responses and the identified shocks are available upon request.

ii) Global demand shocks raise EU manufacturing output, producer prices and industrial production outside the euro area, with corporate borrowing costs rising as monetary policy reacts to stronger demand and price pressures. This shock captures demand developments that are common to the EU and the rest of the world, essentially the global industrial cycle.

iii) The third shock captures EU performance relative to global production: a positive change in this driver raises EU manufacturing output, producer prices and corporate borrowing costs while lowering industrial production outside the euro area, meaning production shifts from the rest of the world towards the EU. This driver captures EU-specific demand shocks, and various factors that change the competitiveness of EU producers relative to foreign counterparts, such as exchange rate developments or productivity gains by foreign competitors.

On the supply side,

iv) (Hicks-)neutral supply shocks raise manufacturing output and reduce prices, with an associated rise in labour demand which raises hours worked.

v) Labour substitution shocks also raise output and lower prices, but they are also associated with falling hours. Such shocks may capture labour-saving technology and automation, or substitution away from labour due to a change in relative input prices. For example, negative changes reflect situations when firms retain workers despite weaker output, which, unless wages adjust sufficiently downwards, raises unit labour costs and prices. [35]

On the demand side, the support from financing conditions and global demand has weakened in recent quarters, but some EU-specific factors offset part of this decline Financing conditions acted as a drag on manufacturing activity around 2023, consistent with the transmission of interest rate hikes in 2022-23. Their contractionary effects faded by 2025 but headwinds from financing conditions re-emerged in 2026. Other demand drivers, reflecting global demand conditions, supported activity throughout much of the period, with their contribution accelerating in 2024 alongside global industrial demand, but fading from the end of 2025. EU-specific demand was subdued in 2023–2024, potentially reflecting the repercussions of Russia's war of aggression in Ukraine [36] and heightened uncertainty, but has strengthened more recently, supported by resilient labour markets and the implementation of the Recovery and Resilience Facility. This component can also reflect recent improvements in export competitiveness – indeed, the global export market share of EU producers is projected to stabilise in 2026 after several years of decline, as exporters benefitted from the strong global demand for investment goods related to AI and electrification (see Statistical annex, Table 51).

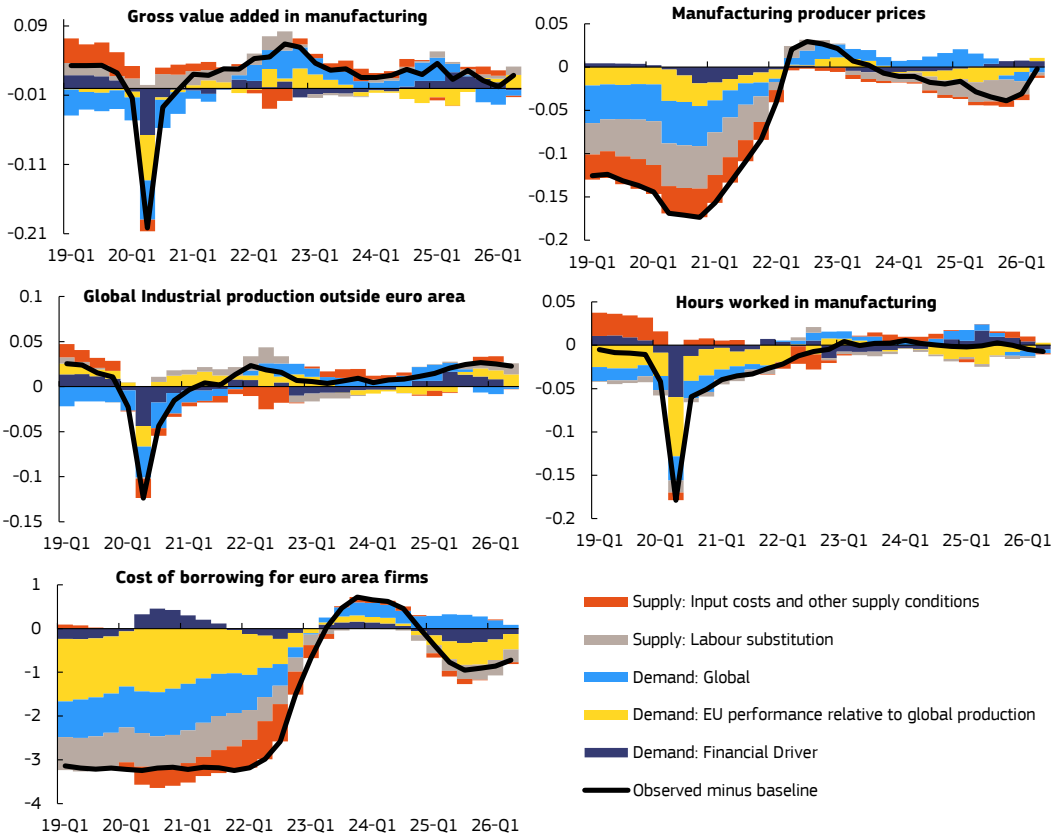
Supply-side factors had a negative influence on manufacturing performance between 2019-23, and have been broadly neutral more recently. During the energy crisis in 2022, the price of capital, energy and other materials increased relative to the cost of labour, leading to an increasing labour intensity of production that is captured in the model by negative labour substitution shocks. [37]

[35] For a theoretical derivation and empirical analysis of these supply shocks, see Mumtaz and Zanetti (2012).

[36] See Special issue 1 (The cost of EU Member States' proximity to the war in Ukraine) in European Economic Forecast, Autumn 2025.

[37] A similar result is found by the SVAR analysis of Consolo et al. (2026).

Graph II.1.4: **Historical decomposition, EU**



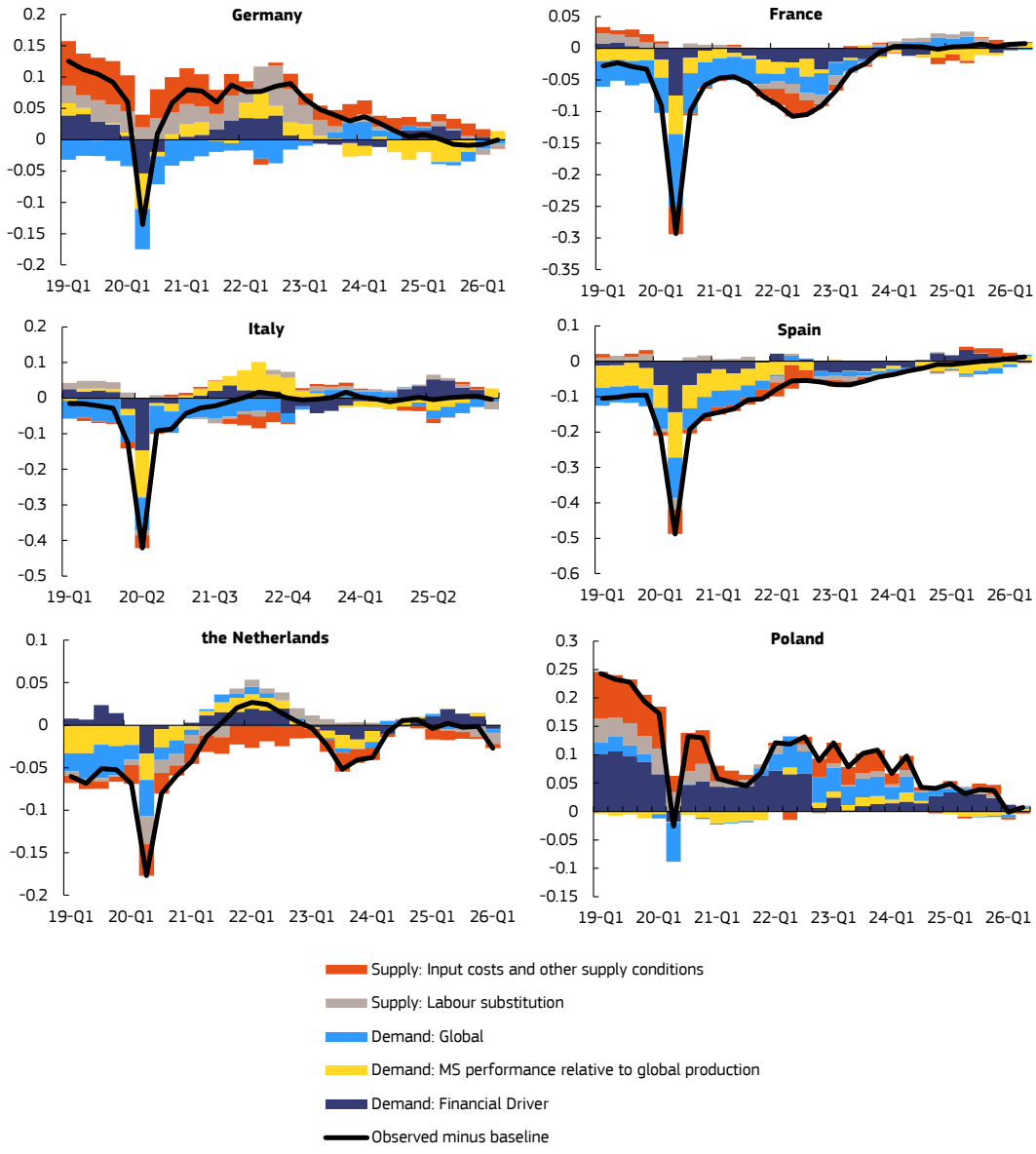
Estimated contributions of the identified drivers to the five variables included in the structural econometric model; see footnote [34] for details. Transformed levels are logarithms for all variables except cost of borrowing, which is measured in original units. The baseline represents the trend estimated by the model over the period 2000Q3–2026Q2. Large negative values at the beginning of the period shown indicate that realised values were substantially below the estimated trend. [38]

GVA decompositions for the large EU Member States

The post-2022 stagnation in EU manufacturing reflects divergent developments across Member States (see Graph II.1.5). On the supply side, in Germany and, to a lesser extent, Poland, input costs and other supply conditions shifted from supportive until 2019 to exerting a persistent drag on manufacturing activity in recent years. This may partly reflect higher energy costs and the greater weight of energy-intensive industries in their manufacturing sectors. In other countries, the same energy shock appears to have had a less negative and persistent impact, possibly reflecting differences in industrial structure and energy sources, such as the greater reliance on nuclear power in France.

[38] The historical contributions capture the combined effects of current and past shocks. For variables that are largely exogenous from an economic perspective, namely global industrial production excluding the euro area vis-à-vis euro area economies and firms' borrowing costs vis-à-vis the manufacturing sector, these contributions reflect estimated interrelationships rather than necessarily implying causality. Moreover, according to the restricted impulse responses, the EU relative performance shock initially has a positive impact on global industrial production before turning negative. This may reflect initial positive spillovers through production chains, followed by a gradual reallocation of demand towards EU-produced goods. Conversely, the labour productivity/substitution shock initially has a negative impact on global industrial production before turning positive. These sign reversals warrant caution when interpreting quarter-to-quarter changes in historical contributions, as they may reflect the evolving effects of past shocks rather than contemporaneous changes in the underlying economic conditions.

Graph II.1.5: **Manufacturing GVA: historic decomposition in selected Member States**



Estimated contributions to the manufacturing GVA of the identified drivers to the five variables included in the structural econometric model (see footnote [34]) . The baseline represents the trend estimated by the model over the period 2000Q3–2026Q2. Large negative values at the beginning of the period shown indicate that realised values were substantially below the estimated trend.

On the demand side, the financial drivers followed a broadly similar pattern across countries with their negative contribution peaking around the end of 2023, before fading or turning positive. Renewed dampening effects have emerged more recently. [39] Global demand conditions have gradually normalised from their negative contributions in 2019, showing a steady improvement followed by some deterioration in the final quarters of the sample. Regarding the Member State performance relative to global industrial production, Germany displayed a progressive deterioration over 2019-2025, while the pattern was more mixed in other countries. However, the EU relative performance has tended to improve in recent quarters in most

[39] The country-specific structural econometric models have been estimated using the euro area cost of borrowing for corporations (COBEA) and the global industrial production index excluding the euro area as common variables across all countries. Differences in their impact across countries may reflect variations in business and market conditions, such as firm size, which can affect firms' exposure to credit conditions and international competition.

countries, which aligns with a recovery of export market shares in 2026, especially in Germany, Spain, Italy and Poland.

Conclusions

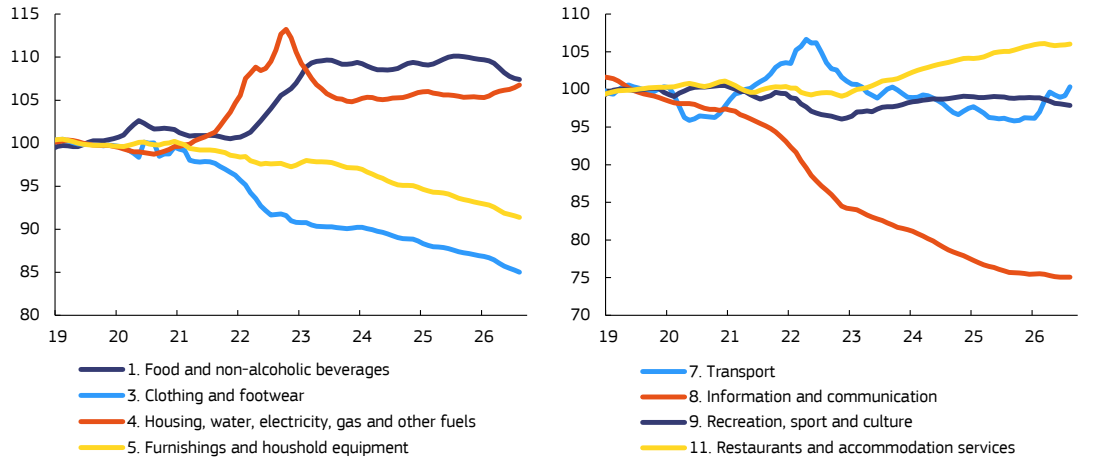
The historical decomposition highlights some of the sustained pressures constraining European manufacturing. The analysis takes a short- to medium-term perspective – looking at the period starting in 2019 – to identify the contributions of demand and supply shocks around the variables' estimated deterministic trends. It reveals that during the observed period, the weak performance of the manufacturing sector was shaped by persistent supply-side weaknesses counteracting cyclical demand support. Moving to the current year, the manufacturing sector is again confronted with unfavourable financing conditions, higher input costs and adverse supply conditions, largely reflecting the outbreak of the Middle East conflict and the subsequent energy shock. Global demand conditions also remain unfavourable, albeit with a gradually normalising impact on EU GVA. At the same time, a positive relative performance of EU manufacturing vis-à-vis the global industrial trend is evident, following several quarters of deterioration. Labour substitution shocks also appear to be gaining strength, pointing to potential tensions in labour and capital input markets from tighter financing conditions on the relative cost and availability of capital and the resulting substitution between production factors.

Competitiveness, energy prices and security, and innovation including AI deployment, hold the key to breaking EU manufacturing's structural constraints. Stronger competitiveness could help European manufacturers regain ground relative to global trends, while improved financing conditions and stronger domestic and external demand could support investment and activity. AI adoption offers opportunities to raise productivity through more efficient use of labour and capital, addressing the limited historical contribution of labour-related supply improvements. At the same time, affordable and secure energy supplies, alongside regulatory reforms and deeper market integration, could help reverse persistent supply-side weaknesses. The challenge is to transform temporary demand support into a sustained improvement in manufacturing competitiveness.

2. FROM PANDEMIC TO ENERGY CRISES : PRICE DEVELOPMENTS, CONSUMPTION ADJUSTMENT AND COST OF LIVING DIFFERENTIALS ACROSS INCOME GROUPS IN THE EU

This special issue examines how prices and consumption patterns have evolved across EU Member States since 2019, with focus on households' adjustment to successive shocks, including the pandemic and the two energy crises [40]. It first reviews shifts in relative prices and allocation of expenditure for various product groups at EU level, to then examine differences in expenditure shares across income quintiles. In most Member States, particularly in Central and Eastern Europe, purchasing power has eroded more among households in the bottom than in the top income quintile, largely reflecting the greater weight of food and energy utility bills in their budgets. By contrast, the first seven months of the conflict in the Middle East have narrowed the inter-quintile inflation gap somewhat, as the initial pass-through of higher energy commodity prices has been concentrated in transport fuels, which weigh more heavily in higher-income households' budgets. However, further pass-through to household energy bills and food prices could widen the gap again.

Graph II.2.1: **Relative prices of selected ECOICOP divisions**



Relative price indices are calculated as a ratio of the seasonally adjusted HICP index for a given division to the seasonally adjusted HICP headline index. Ratios have been rebased to 2019=100. Excess volatility in the underlying ratios was removed by taking three-month centred moving averages.

The pandemic and successive energy shocks have left a lasting imprint on the relative prices of consumer goods and services. Price developments have been far from uniform across consumption categories [41] (see Graph II.2.1). Over 2020-2021, the introduction and subsequent lifting of pandemic-related restrictions altered relative prices through abrupt shifts in supply and demand. These effects were particularly pronounced for *food*, *transport* (i.e. mainly transport fuels) and various services, such as *restaurants and accommodation*. The energy crisis

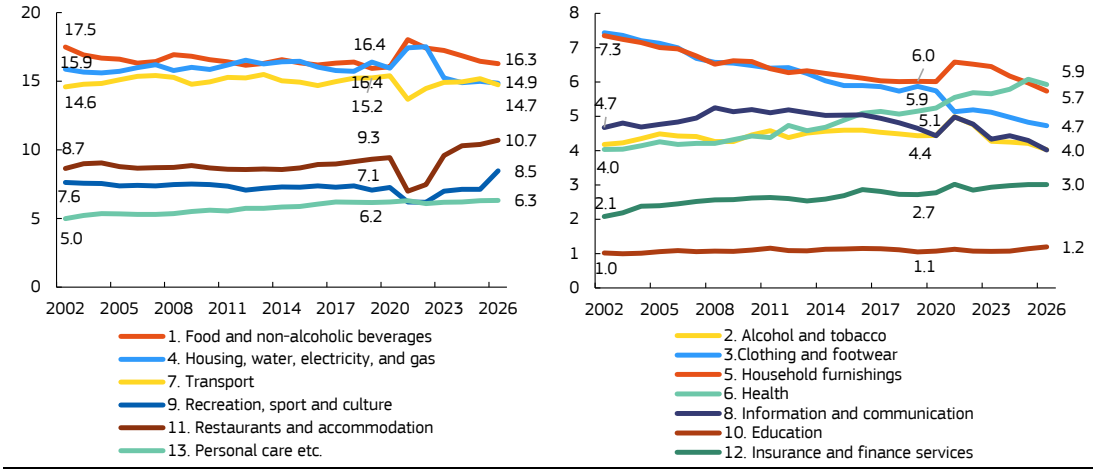
[40] Various distributional aspects of inflation were recently analysed by, among others, by Menyhert (2023), Chafwehe et al (2025) and Buelens (2026).

[41] The European Classification of Individual Consumption According to Purpose (ECOICOP) provides a framework for classifying household consumption expenditure by purpose. Based on the UN's international COICOP, it has a five-level hierarchical structure, with divisions (2-digit), groups (3-digit), classes (4-digit), and sub-classes (5-digit). This box uses ECOICOP version 2 (based on COICOP 2018), which comprises 13 divisions:
01 – Food and non-alcoholic beverages, 02 – Alcoholic beverages, tobacco and narcotics, 03 – Clothing and footwear, 04 – Housing, water, electricity, gas and other fuels (actually paid rents are included, but not imputed for owner-occupied housing), 05 – Furnishings, household equipment and routine household maintenance, 06 – Health, 07 – Transport (*includes transport fuels*), 08 – Information and communication, 09 – Recreation, sport and culture, 10 – Education services, 11 – Restaurants and accommodation services, 12 – Insurance and financial services. 13 – Personal care, social protection and miscellaneous goods and services

triggered a more significant wave of relative price adjustments. The energy price shock initially drove up the relative prices of *housing, water, electricity, gas and other fuels* [42] *(*via prices of *gas and electricity)* and *transport (*via *transport fuels)*, to then gradually pass through to *food* prices in 2022-2023 and, subsequently, to a broader range of services [43]. The effects of the current energy shock have so far been most visible in the relative prices of *transport*, after they had retreated from their spring 2022 peak until early 2026, and, to a lesser extent, *housing*. The latter two nevertheless remain significantly above their pre-2022-energy-crisis levels. Relative *food* prices have also declined, but only after several years of sustained increases that brought them to an all-time high in early 2026.

Longer-term structural forces have continued to shape price trends. Relative prices of services, which largely include non-tradable activities shielded from external competition, have kept rising. At the same time, intense competitive import pressures have pushed down the relative prices of many non-energy industrial goods (e.g. *clothing and footwear, household furnishings* and especially *information and communication*). All in all, between 2019 and 2026, the increase in absolute prices in the EU as a whole ranged from 41% [44] for *food* and *housing,* 39% for *restaurant and accommodation services* and 33% for transport, to just 11% for clothing and footwear. Absolute prices in information and communication fell by nearly 2%. Meanwhile, the total headline index grew by 31%.

Graph II.2.2: **HICP consumption weights for ECOICOP divisions**



Household spending patterns have changed too, through both constraints on consumption choices and changes in relative prices. Graph II.2.2 takes a longer-term perspective, placing recent shifts in consumption patterns in the EU [45] within a context of broader trends of the past twenty five years. Restrictions on mobility and social interaction sharply curtailed spending on contact-intensive services, notably *restaurants and accommodation*, as well as *transport,* while redirecting expenditure towards goods and services consumed at home (e.g. *food, furnishings* and *information and communication*). This contributed to the temporary increase in the expenditure shares of *food* and *household furnishings*. The pandemic also coincided with a rise in the share of spending on *housing*, likely reflecting—to some extent—increased time spent at

(42) For brevity the division 4 *Housing, water, electricity, gas and other fuels* will be thereafter referred to as *Housing.*

(43) Against a backdrop highly conducive to inflation, including, i.a., post-pandemic supply bottlenecks, tight labour markets and widespread public support measures.

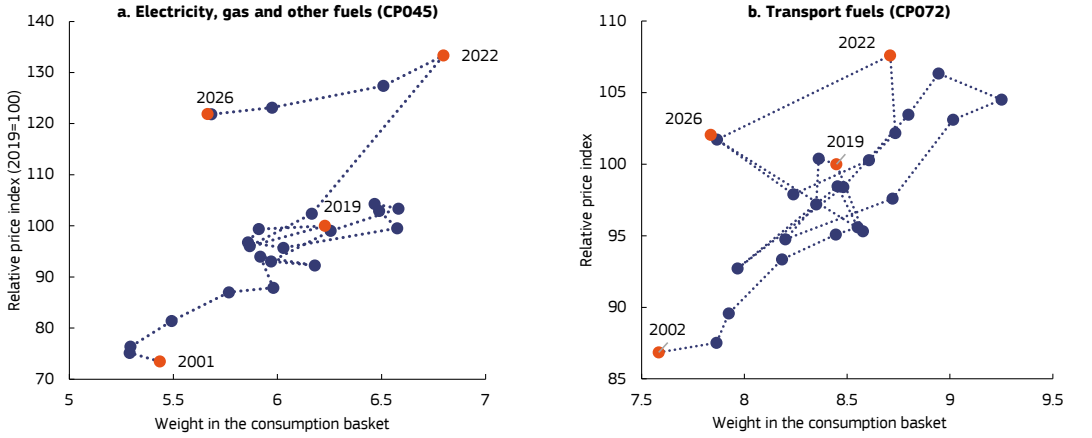
(44) Based on the ratio in absolute seasonally adjusted indices between September 2026 and 2019 average.

(45) As measured by the shares of consumption by ECOICOP division, using the HICP expenditure weights. The latter are updated annually to reflect the structure of household final monetary consumption expenditure (HFMCE) within the economic territory of each Member State. They are primarily based on national accounts data, supplemented at more detailed levels with information from the Household Budget Surveys. Expressed as percentages of HFMCE, the weights are grouped according to the ECOICOP classification. They evolve from year to year as a result of shifts in the prices and volumes of the goods and services consumed.

home. As restrictions were lifted, these shifts partly unwound, but the subsequent energy crisis brought another significant change in expenditure patterns. Higher energy prices raised the expenditure shares of *housing* and *transport*, while their indirect effects also contributed to the increase in the share of *food*.

Rising living standards and relative prices have shifted household spending towards services. Falling relative prices of many consumer durables have led to a gradual reduction of the expenditure shares of *clothing and footwear, household furnishings* and *information and communication*. Conversely, higher living standards and higher prices have lifted the shares of expenditure devoted to *restaurants and accommodation*, especially after the pandemic. The gradual rise in the shares *health* and *education* reflects a combination of demographic trends, namely ageing, higher living standards and policy choices regarding provision and financing arrangements particularly in health care [46]. Meanwhile, the expenditure share of *housing* has fallen from the peak recorded during the first energy shock, partly owing to the correction in energy prices, but also consumption restraint and saving (discussed in more detail in the next para). Finally, the impact of the current energy shock on household spending patterns is still not reflected in Graph II.2.2. [47]

Graph II.2.3: **Evolution of relative prices and consumption weights in the two main ECOICOP energy groups**



Changes in the expenditure shares of energy utility bills and transport fuels also point to significant adjustments in consumption since the 2021-23 energy crisis. A closer examination of relative price and expenditure share changes across the two main consumer energy ECOICOP groups—(i) *electricity, gas and other fuels* and (ii) *transport fuels* [48]—reveals significant shifts since 2021. [49] The spending share of *electricity, gas and other fuels* (Graph II.2.3.a) followed a gradual upward trend until 2022, broadly in line with rising relative prices. Since then, it has declined sharply despite only a modest correction in relative prices, suggesting a role for energy consumption restraint and the accelerated uptake of energy-efficient appliances, heating systems and household renewable electricity generation [50]. Developments in *transport fuels* (Graph II.2.3.b)

[46] For this reason, developments in prices and expenditure weights in health and education will not be discussed in more detail in the remainder of the note.

[47] This is because the spending weights for 2026 are based on national accounts and household budget surveys for the previous year.

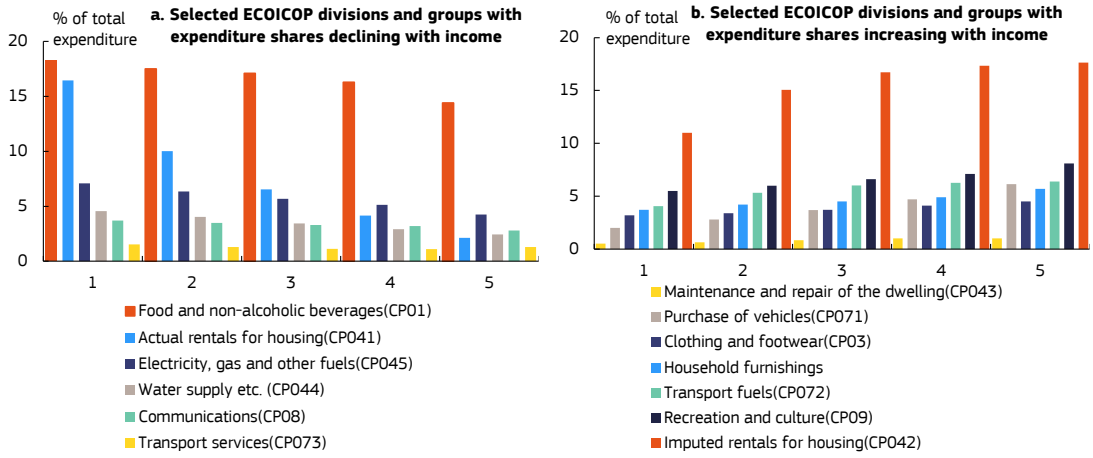
[48] For simplicity the term *transport fuels* is used throughout this special topic to refer to ECOICOP group CP072 *Operation of personal transport equipment.* This group comprises four classes: 721 Parts and accessories for personal transport equipment, 722 Fuels and lubricants for personal transport equipment, 723 Maintenance and repair of personal transport equipment and 724 Other services related to personal transport equipment. (including parking toll payments, driving lessons and car hire). *Transport fuels* have accounted for more than 50% of the weight of this division, on average over 2019-2026.

[49] Changes in expenditure weights reflect shifts in actual spending structure with a one-year lag.

[50] For details of this adjustment see the Special issue 2 How climate policies and energy shocks accelerated reduction in EU energy demand - Economy and Finance in European Commission (2026)

have been less straightforward in recent years. Still, the EU-level share of household spending on this group has fallen by ¾ pps. despite relative prices rising by over 7% since 2020. This likely reflects a combination of the growing uptake of electric vehicles, a shift towards more fuel-efficient combustion-engine cars, and outright consumption restraint.

Graph II.2.4: **Expenditure shares by income quintiles**



EU27 for ECOICOP divisions, EU22 for ECOICOP groups (excluding Italy, Czechia, Portugal, Romania and Sweden).

Lower-income households spend relatively more on food and the cost of running their homes, while higher-income households allocate more to transport fuels and less-essential items. Household Budget Surveys (HBS) [51] complement the aggregate analysis by showing how expenditure patterns vary across income groups. Graph II.2.5 confirms that, consistent with Engel's law, the budget shares of essential goods and services in the EU [52] tend to decline with income, while those of other items generally increase. Notably, *food,* most *housing*-related goods and services—including *actual rentals, electricity, gas and other fuels,* and *water supply*—as well as *transport services* account for larger shares of expenditure among lower-income households. [53] Conversely, higher-income households allocate larger shares to *clothing and footwear, household furnishings, vehicles* and *transport fuels,* as well as services such as *restaurants and accommodation* and *recreation and culture*. The same pattern applies to *dwelling maintenance and repair* and, notably, *imputed rentals* [54]. The latter item, which is covered by the HBS but falls outside the scope of the HICP, is particularly noteworthy: averaged across income quintiles, its expenditure share is close to that of food and twice that of actual rentals. Moreover, its share rises markedly with income, pointing to higher homeownership rates among better-off households, and therefore representing the reverse of the pattern observed for actual rentals (see Graph II.2.4.b).

Income-related differences in consumption patterns vary considerably across Member States. For most ECOICOP divisions and groups shown in Graph II.2.5, the gap between the first and fifth income quintiles differs markedly across countries [55]. In many cases this gap ranges

[51] Eurostat publishes data on structures of consumption expenditure by income quintile for all ECOICOP divisions and selected groups (hbs_str_t223) based on household budget surveys carried out across EU MS every five years. This note analyses the data from the latest survey, dating back to 2020, based on the 2013 edition of ECOICOP.

[52] EU27 for ECOICOP divisions (2 digits) and EU22 (data not available for IT, RO, CZ, PT and SE) for ECOICOP groups (3 digits).

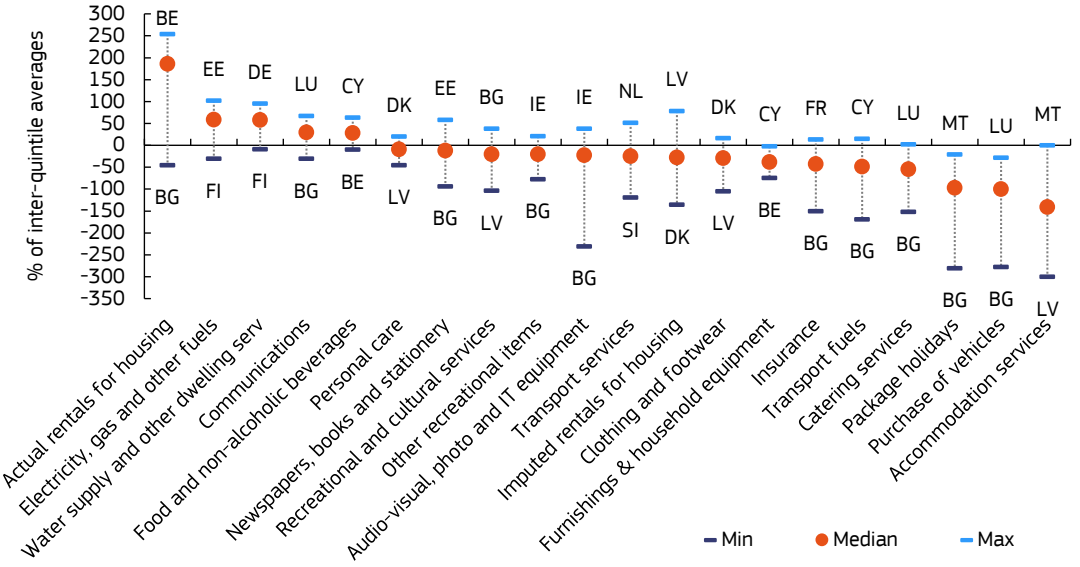
[53] This is consistent with the relatively low income elasticity of demand for essential goods and services: as household incomes rise, spending on these items tends to increase less than proportionately, reducing their weight in total expenditure.

[54] Unlike in the case of actually paid rentals, expenditure related to owner-occupied housing is not derived from observed monetary expenditure, but imputed using the estimate of the rental value of dwellings.

[55] The ECOICOP items shown in the graph differ considerably in their weight in the consumer basket, ranging from large items such as food, rents and transport fuels to smaller ones such as newspapers and books, and audiovisual,

from negative to positive values, indicating that the spending patterns of the highest- and lowest-income households are often mirror images of each other across Member States. More consistent patterns emerge for several goods and services that can broadly be regarded as non-essential. In all Member States, highest-income households allocate a larger share of their expenditure to *accommodation services, vehicle purchases, package holidays* and *home furnishings*. The gap relative to the lowest-income households reaches up to three times the average expenditure weight in some Central and Eastern European countries, notably Bulgaria and Latvia. The reverse pattern is observed for *actual rents, electricity and gas, water supply, communication* and *food*. The expenditure shares of these items, broadly associated with essential living costs, tend to decline with income in most Member States.

Graph II.2.5: **Normalised cross-country variation in expenditure share gaps between the bottom and top income quintiles, by COICOP division/group**



The variation (difference between the bottom and top quintile) is normalised by dividing by the average expenditure share for all quintiles in a given division/group and country. Range and average for EU27 (divisions) and EU22 (groups).

In most Member States, particularly in Central and Eastern Europe, purchasing power has eroded more for households in the bottom income quintile than for those in the top quintile. Goods and services that have experienced pronounced changes in relative prices —such as e.g. *gas and electricity, transport fuels, food, restaurants and accommodation* (see Graphs II.2.1, II.2.3)—also tend to account for markedly different expenditure shares across income groups (see Graph II.2.4). As a result, households in different income quintiles may be exposed to inflation developments to a different extent. Graph II.2.6, showing the gaps in cumulative inflation between the bottom and top quintile since 2019, [56] confirms that this has been the case for most Member States. While the average gap in the EU (EU22) amounted to 1.8pps over 2019-2016, cross-country variation is considerable. Notably, lowest-income households in CEE countries, but also Ireland, have been among the most affected by the pandemic and energy shocks over 2019-2026. In Estonia, the cumulative inflation differential reached 8.3 pps., while in Ireland and Latvia it was 7.4 pps. and 6.8 pps., respectively. In Slovenia, Croatia, Poland and Lithuania it ranged between 6

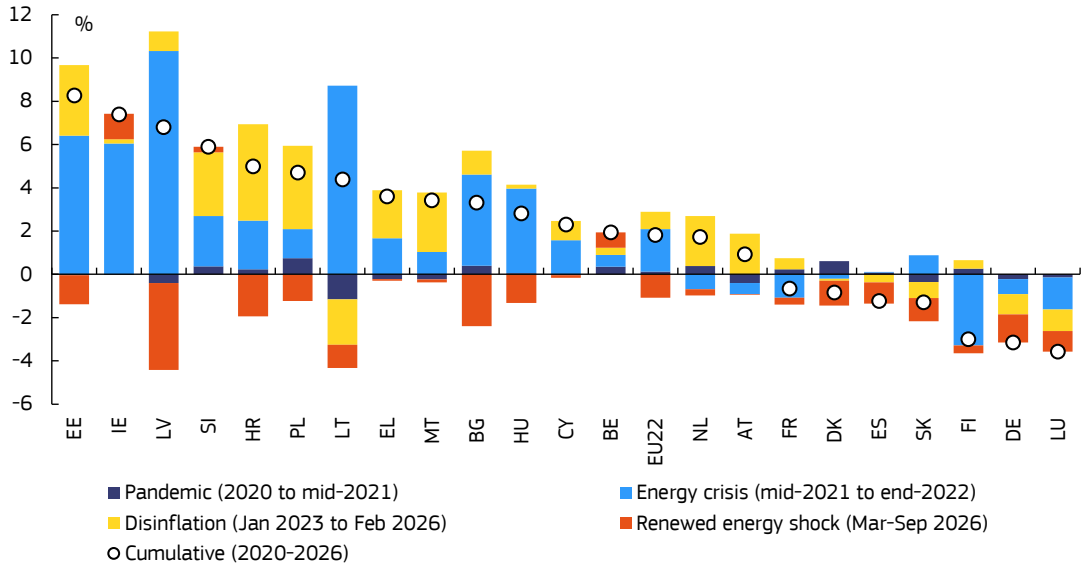
photographic and IT equipment. As the item's weight is also likely to affect the absolute level of inter-quintile gaps they were normalised by dividing by the consumption weight of each item, averaged across all quintiles.

(56) Quantile-specific inflation was calculated using the income-quantile-specific weight structure from the 2020 survey at the level of 3-digit ECOICOP groups. Weights for 2020 come directly from the survey, while those for 2019 and 2021-2026 have been obtained by adjusting 2020 weights with the respective changes in HICP weights and normalising the weight structure to 100. Importantly, as quintile-specific expenditure weights was complied using an earlier version of the classification—ECOICOP 2013 (comprising 12 divisions), while HICP price dataset follows a revised ECOICOP 2018 (13 divisions), the weight structure was mapped into prices using the official correspondence table.

and 4.5 pps. By contrast, in several Member States, including Germany, France and Spain, better-off households have been more affected than poorer ones. The most negative gaps were recorded for Luxembourg (-3.6 pps.), Germany (-3.2 pps.) and Finland (-3 pps.).

Inflation differences across income groups have evolved unevenly over time, with the first energy crisis marking a clear turning point, as sharply rising energy bills weighed more heavily on poorer households. Graph II.2.6 decomposes the interquintile gaps in cumulative inflation into contributions accrued over four distinct periods: (i) the pandemic (2020 to mid-2021), (ii) the energy crisis (mid-2021 to end-2022), (iii) the disinflation phase (January 2023 to February 2026) and (iv) the renewed energy shock (March-September 2026). Despite abrupt changes in consumption patterns and relative prices, inflation developments during the pandemic were remarkably similar across income quintiles, with the exception of a few Member States (e.g. Lithuania, Poland, and Denmark). The bulk of the cumulative inflation gap emerged, unsurprisingly, between mid-2021 and end-2022, when steep increases in the prices of *gas, electricity and other fuels* and *food* weighed more heavily on poorer households, particularly across CEE, but also in Ireland [57]. The gap widened further during the subsequent disinflation phase from 2023 onwards. This reflected the fact that, even as the household energy bill fell, persistently high *food* inflation continued to weigh disproportionately on lower-income households. Moreover, falling prices of *transport fuels* and broad-based disinflation in services benefitted higher-income households more. The most recent period, covering the period since the onset of the conflict in the Middle East, has so far brought some narrowing of the inter-quintile inflation gap in most Member States. This largely owes to the fact that high energy commodity prices had up to July mostly passed through to *transport fuels*, which weigh more heavily on higher-income households, whereas the response of retail *gas and electricity* and *food* price had been rather muted so far. (see Section I.7. Inflation).

Graph II.2.6: **Differences in cumulative inflation between the first and the fifth income quintiles, 2019-2026**



Inflation corresponding to the consumption basket of the first income quintile minus the inflation corresponding to the consumption basket of the fifth income quintile, cumulated since 2019. The cumulative-inflation dot refers to value for September 2026 (2019=100), while contributions mark the value of the difference at the end of each identified period. EU22 excludes Italy, Romania, Sweden, Czechia and Portugal because of data availability issues.

Cross-country differences in inflation gaps reflect the interaction between country-specific household expenditure patterns and price developments, largely for energy and rentals. Several goods and services stand out as key drivers of these differences. In particular,

[57] Ireland recorded one of the EU highest increases in prices for electricity, gas and other fuels during the energy crisis (from mid-2021 to end-2022). The effect on inflation differentials was magnified by the largest gap in the corresponding expenditure weight between the poorest and richest households among non-CEE euro area economies.

developments in *electricity and gas* prices help explain the high position in the ranking of Estonia, Ireland, Poland, Lithuania and Slovenia. They also account for the low ranking of Finland and Slovakia.[58] *Transport fuels* constitute another crucial category for explaining Member States' position in the ranking. This is the case for Germany, Finland and Denmark where large positive gaps in expenditure shares between the highest and lowest income quintile, coincided with strong increases in relative prices. Finally, *actual rentals*—which have one of the biggest weights (see Graph II.2.4) and the highest inter-quintile dispersion (see Graph II.2.5) among all items—had differing effects on inflation gaps, depending on the direction of relative price movements. In Ireland and Slovenia, where relative prices of *rents* rose sharply, they contributed to widening inflation gaps for lower-income quintiles. By contrast, in most Member States at the lower end of the ranking, including Luxembourg, Germany and Finland, *actual rentals* had the opposite effect reflecting the decline in their relative prices.

[58] Slovakia recorded one of the lowest inflation in electricity and gas across the EU over the energy crisis and disinflation phases; whereas in Finland relatively high inflation in this group interacted with a higher share of related expenditure among the top quintile compared than among the bottom quintile—the only EU country showing this pattern (see GraphII.2.5).

PART III

Prospects by individual economy

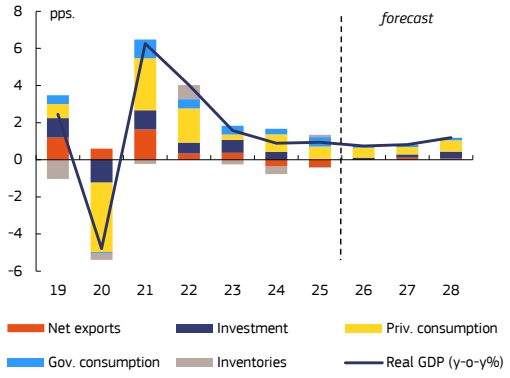
Euro Area Member States

1. BELGIUM

Belgium's economic growth is set to slow to 0.7% in 2026 and to remain subdued at 0.8% in 2027, as decreasing purchasing power and tighter financing conditions are projected to weigh on private consumption and investment. GDP growth is forecast to accelerate in 2028, supported by stronger domestic demand. After a projected surge to 3.6% in 2026, driven by higher energy prices, inflation is set to ease as of 2027. The general government deficit is expected to remain stable at 5.2% of GDP in 2026. However, based on the information available at the cut-off date for this forecast, the deficit is projected to rise in 2027 and 2028, reflecting higher interest and defence expenditure and is expected to increase the already high government debt-to-GDP ratio further.

Subdued growth in 2026-27

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



Following a rise by 0.2% q-o-q in 2026-Q1 and 0.1% in 2026-Q2, real GDP further increased by 0.3% in 2026-Q3. This outturn was mainly driven by resilient private consumption and growing exports. Despite higher inflation and slower growth in social benefits, consumer spending is set to remain robust, supported by a moderating household saving rate in 2026 and 2027 and wage indexation particularly in 2027. Tighter financial conditions are expected to weigh on investment in both 2026 and 2027. While higher mortgage rates and depressed business confidence in the construction sector point to weak residential investment in 2026, a mild recovery is projected from 2027 onwards, in line with an increase in the number of building permits issued. Exports are forecast to rise markedly in 2026, supported by improved manufacturing conditions among trading partners and dynamic global trade. However, imports are also projected to increase due to higher import of defence-related goods, leaving the contribution of net exports to GDP broadly neutral in 2026-27. In 2028, higher GDP growth is expected to be driven by stronger domestic demand, supported by easing inflation and rising employment growth. Export growth is set to moderate, driven by the expected slowdown in external demand.

Overall, the economic activity is expected to grow by 0.7% in 2026 and 0.8% in 2027, before accelerating to 1.2% in 2028.

Employment is set to gain momentum as of 2027

Employment is set to remain stable in 2026, before accelerating as of 2027, underpinned by measures encouraging longer careers, including those contained in the pension reform which introduced financial disincentives for early retirement and bonuses for postponed retirement. Unemployment is expected to increase in 2026-27 as the number of active job-seekers initially outpaces job creation. However, steady employment growth is projected to reduce the unemployment rate to 6.3% in 2028. Two expected wage indexations in the first half of 2027 and one early 2028 are set to support nominal wage growth, although the impact is tempered by the cap on inflation-linked indexation of certain wages. Productivity is projected to remain subdued over the forecast horizon.

Inflation is set to surge in 2026, before gradually easing

Headline inflation is projected to rise to 3.6% in 2026, primarily reflecting higher energy prices. In 2027, energy inflation is expected to ease. However, food inflation is set to increase, driven by this

year's extreme weather events and higher fertiliser costs, and services inflation is also projected to rise on the back of higher wage growth as well as increased voucher and transport prices. Overall, HICP inflation is estimated at 3.2% in 2027 and 2.5% in 2028.

High deficits facing increasing interest expenses

In 2026, the general government deficit is expected to remain stable at 5.2% of GDP compared to 2025. A 0.3% of GDP decrease in primary expenditure is expected to be fully offset by an increase in interest expenses.

Due to lengthy budgetary discussions, Belgium has not submitted a federal budget for 2027 before the cut-off date of the forecast, and the forecast assumes unchanged policies. However, the 2027 fiscal projections include the expected impact from regional measures. The deficit is projected to increase to 5.5% of GDP in 2027 despite measures taken by the regional governments to contain current spending and increase revenue. Higher expenditure on interest payments and defence is only partly offset by reductions in social benefits and subsidies at all government levels. Expenditure in social benefits is expected to stabilise, reflecting earlier reforms to unemployment, long-term sickness and pensions. At the same time, revenue as a percentage of GDP is projected to remain stable, supported by higher receipts from VAT collection, the regional road vignette and the Flemish registration tax.

In 2028, the deficit is forecast to widen to 5.7% of GDP, despite declining primary expenditure. Interest payments are projected to continue rising by 0.2% of GDP, partly offsetting savings made in public-sector wages and social benefits resulting from slower growth in the number of public-sector employees and partial wage indexation. Defence spending is projected to increase gradually from 1.6% of GDP in 2026 to 1.9% in 2028, taking into account the delivery timelines for military equipment. Revenues are projected to decrease by 0.4% of GDP, due mainly to lower personal income taxes and slightly lower corporate income taxes.

General government gross debt is expected to reach 111.2% of GDP at the end of 2026. The structurally high general government deficits are the main driver of the projected increase in the debt-to-GDP ratio to 115.8% by 2028.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		640.9	100.0	1.4	1.6	0.9	0.9	**0.7**	**0.8**	**1.2**
Private Consumption		331.9	51.8	1.4	0.5	1.9	1.4	**1.1**	**0.8**	**1.2**
Public Consumption		154.2	24.1	1.3	2.0	1.3	2.2	**0.4**	**0.6**	**0.6**
Gross fixed capital formation		152.9	23.9	1.8	2.9	1.8	0.0	**0.4**	**0.8**	**1.6**
Exports (goods and services)		487.1	76.0	2.8	-8.1	-2.0	-0.1	**3.2**	**2.8**	**2.4**
Imports (goods and services)		490.5	76.5	2.9	-8.4	-1.6	0.4	**3.2**	**2.6**	**2.3**
GNI (GDP deflator)		649.7	101.4	1.4	1.6	1.3	0.6	**0.8**	**0.4**	**1.1**
Contribution to GDP growth:		Domestic demand		1.5	1.4	1.7	1.2	**0.8**	**0.7**	**1.1**
		Inventories		0.0	-0.2	-0.4	0.1	**0.0**	**0.0**	**0.0**
		Net exports		0.0	0.4	-0.3	-0.4	**0.0**	**0.1**	**0.1**
Employment				1.0	0.8	0.2	0.4	**0.3**	**0.5**	**0.8**
Unemployment rate (a)				7.3	5.5	5.7	6.2	**6.4**	**6.5**	**6.3**
Compensation of employees / head				2.3	7.5	3.3	3.4	**2.6**	**3.0**	**2.2**
Unit labour costs whole economy				1.9	6.7	2.6	2.9	**2.2**	**2.7**	**1.8**
Saving rate of households (b)				14.3	14.4	14.0	13.5	**12.6**	**12.6**	**12.7**
GDP deflator				2.0	5.7	1.8	2.5	**2.2**	**2.6**	**2.1**
Harmonised index of consumer prices				2.4	2.3	4.3	3.0	**3.6**	**3.2**	**2.5**
Terms of trade goods				-0.5	1.8	0.1	-0.8	**-1.1**	**0.2**	**0.4**
Trade balance (goods) (c)				0.1	1.4	1.7	0.9	**0.3**	**0.6**	**0.9**
Current-account balance (c)				0.8	0.4	0.7	-0.2	**-0.8**	**-0.8**	**-0.5**
General government balance (c)				-3.3	-4.1	-4.4	-5.2	**-5.2**	**-5.5**	**-5.7**
Fiscal stance (c)				:	0.1	-0.5	0.2	**0.7**	**0.7**	**0.4**
Structural budget balance (d)				-3.1	-4.3	-4.2	-4.9	**-4.5**	**-4.5**	**-4.7**
General government gross debt (c)				102.2	102.3	104.0	108.1	**111.2**	**113.4**	**115.8**

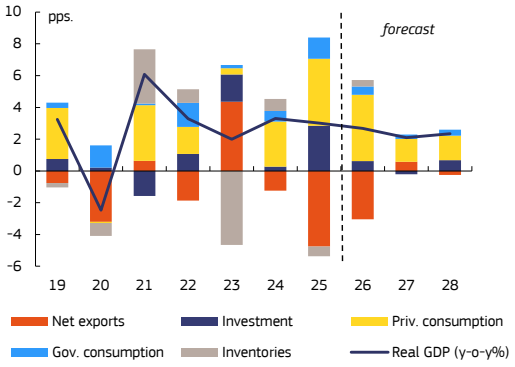
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

2. BULGARIA

Real GDP growth is expected to remain robust in 2026, supported by strong domestic demand. Growth is projected to moderate in 2027 and 2028 as higher prices weigh on consumer demand, wage growth decelerates and investment slows down following the peak in RRF-supported spending in 2026. Driven by high energy and services prices, inflation is projected to remain elevated in 2026 and in the first half of 2027, before moderating thereafter. The general government deficit is set to reach 5% of GDP in 2026 and to temporarily decrease to 4% of GDP in 2027, while the debt-to-GDP ratio is expected to increase and reach 37.7% in 2028.

Domestic demand slows down as real income growth eases

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



Real GDP growth remained strong in the first half of 2026, supported by increases in private consumption. Net exports contributed negatively to growth, mainly reflecting strong import growth driven by robust domestic demand. GDP growth is expected to moderate over the forecast horizon. Private consumption growth is expected to slow down in the second half of 2026. Over 2027-28, annual consumption growth is projected to be more moderate, as real disposable income eases on the back of weaker public and private wage growth and elevated inflation. Investment growth is projected to weaken in 2027 before recovering in 2028. This can be mostly attributed to the public investment profile, as the expiry of the RRF is set to temporarily weigh on public investment in 2027. Growth in exports of goods and services is projected to remain negative in 2026, due to subdued growth in the tourism sector, and a slowdown in the exports of goods such as vehicles and other investment goods. Exports are forecast to strengthen in 2027 and 2028, though subject to downside risks associated with the car manufacturing value chain. The current account deficit is projected to widen further in 2026 before narrowing over the forecast horizon.

Wage growth to ease further despite tight labour market

Wage growth showed signs of easing in 2025, with compensation per employee increasing by 5.8%, down from 14.1% in 2024, mainly driven by strong increases in the public sector. Wage growth is expected to moderate further over the forecast horizon. This reflects weaker labour demand and thereby lower wage pressure in the private sector as well as lower public sector wage growth. Employment growth showed signs of weakening in the first half of 2026. This trend is expected to continue as growth slows down. The unemployment rate is set to remain broadly unchanged over the forecast horizon. Labour shortages are projected to persist in key sectors, amid demographic pressures and a shrinking working-age population.

Inflation to remain elevated until 2027, driven by high energy and services prices

HICP inflation is forecast to reach 4.6% in 2026 and 3.9% in 2027, reflecting higher energy prices following the conflict in the Middle East, which are projected to remain high in 2027. Services inflation has also been high, driven by rising input costs, notably for energy and labour. It is expected to remain elevated into 2027 before showing signs of easing towards the end of the forecast horizon. Food inflation is expected to be positively influenced by second-round effects from higher energy prices, although base effects from high unprocessed food inflation in the first half of 2026 will dampen the overall impact in 2027. Inflation is projected to decline in 2028. While the factors currently driving inflation are expected to weaken, they are set to be partly offset

by the introduction of ETS2. ETS2 is forecast to add 0.7 pps. to headline inflation in 2028, as it directly raises energy prices and is set to have second-round effects on services and food prices.

Deficit to reach 5% of GDP in 2026

The general government deficit is expected to reach 5.0% of GDP in 2026, up from 4.0% of GDP in 2025, driven by increases in expenditure due to a combination of sustained social spending—largely driven by pensions—, and increases in public sector salaries. Strong increases are also expected in public investment on municipal projects, in expenditure on subsidies and on intermediate consumption. Discretionary revenue measures have a limited positive impact, which is largely offset by a 5% salary indexation on the expenditure side. There are downside risks to the deficit forecast linked to a possible statistical revision of 2026 deficit figures.

In 2027, the deficit is set to temporarily decrease to 4% of GDP, mostly driven by the revenue side. It comes on the back of a windfall tax on selected sectors—currently planned for one year— of measures to increase revenue from VAT and excises, and of increases in the maximum and minimum thresholds for the payment of social security contributions. By contrast, a planned increase in the threshold for VAT registration and two new packages of tax relief measures have a revenue decreasing impact. On the expenditure side, compensation of employees is set to further moderate, also most other expenditure items are expected to grow less dynamically compared to 2025. Defence expenditure is forecast to increase given planned deliveries of equipment, while pension spending is set to be driven by automatic indexations.

Following the expiry of the temporary windfall tax, the deficit is projected to widen again. This reflects the persistent trend of revenue growth lagging behind expenditure dynamics, in the absence of structural measures to permanently strengthen revenue. As a result, the deficit is expected to return to 4.8% of GDP in 2028.

Gross public debt is forecast to increase from 29.9% in 2025 to around 37.7% of GDP in 2028, largely driven by large and persistent primary deficits and rising interest costs.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		116.5	100.0	2.2	2.0	3.3	3.0	**2.7**	**2.1**	**2.3**
Private Consumption		67.2	57.7	2.5	0.7	4.9	7.4	**7.2**	**2.4**	**2.6**
Public Consumption		24.5	21.0	1.9	1.1	3.6	6.8	**2.5**	**1.3**	**1.8**
Gross fixed capital formation		24.3	20.9	0.1	10.1	1.5	15.6	**2.9**	**-0.9**	**3.1**
Exports (goods and services)		59.3	50.8	5.3	0.9	1.7	-1.9	**-0.8**	**2.8**	**2.9**
Imports (goods and services)		60.5	51.9	4.6	-5.5	4.0	6.9	**5.1**	**1.5**	**3.2**
GNI (GDP deflator)		111.2	95.4	2.0	2.3	3.6	3.3	**3.0**	**2.2**	**2.4**
Contribution to GDP growth:		Domestic demand		2.0	2.3	3.8	8.4	**5.3**	**1.5**	**2.6**
		Inventories		0.1	-4.7	0.8	-0.6	**0.4**	**0.0**	**0.0**
		Net exports		0.2	4.4	-1.2	-4.8	**-3.0**	**0.6**	**-0.2**
Employment				-0.3	1.1	1.1	2.2	**0.1**	**-0.2**	**-0.2**
Unemployment rate (a)				8.7	4.3	4.2	3.5	**3.4**	**3.5**	**3.5**
Compensation of employees / head				9.2	13.4	14.1	5.8	**6.2**	**5.5**	**5.0**
Unit labour costs whole economy				6.5	12.4	11.6	4.9	**3.5**	**3.1**	**2.3**
Saving rate of households (b)				-2.6	-4.5	-0.9	-8.9	**-15.7**	**-16.3**	**-16.8**
GDP deflator				5.1	8.0	7.2	7.5	**7.6**	**4.6**	**4.2**
Harmonised index of consumer prices				3.1	8.6	2.6	3.5	**4.6**	**3.9**	**3.3**
Terms of trade goods				1.3	-2.4	-1.4	0.9	**1.4**	**-0.4**	**0.2**
Trade balance (goods) (c)				-8.1	-4.1	-4.8	-8.5	**-10.3**	**-9.9**	**-9.7**
Current-account balance (c)				-3.1	1.2	-0.3	-4.1	**-6.9**	**-6.4**	**-6.2**
General government balance (c)				-1.4	-2.0	-3.0	-4.0	**-5.0**	**-4.0**	**-4.8**
Fiscal stance (c)				:	-0.5	0.0	-3.0	**-1.6**	**3.7**	**-0.4**
Structural budget balance (d)				-0.9	-2.2	-2.7	-4.2	**-5.0**	**-3.9**	**-4.6**
General government gross debt (c)				20.4	22.8	23.7	29.9	**33.0**	**35.0**	**37.7**

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

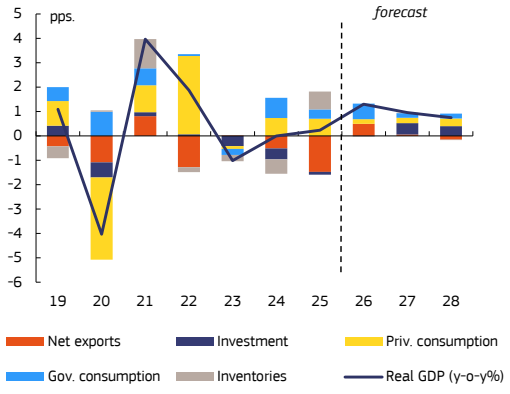
3. GERMANY

After several years of stagnation, the economy is set to expand by 1.3% in 2026, 1.0% in 2027 and 0.7% in 2028. This acceleration is supported mainly by a surge in exports in early 2026, which is set to further benefit in 2027 from the global AI boom, and from an expansion in defence and infrastructure expenditure. Meanwhile, increased uncertainty and high inflation are dampening private consumption, and rising labour, energy and financing costs are holding back private investment. As exports and the fiscal impulse weaken in 2028, growth is forecast to decelerate. The general government deficit is expected to widen over the forecast horizon, as public infrastructure investment and defence expenditure gain momentum, but the pace of the fiscal expansion will moderate due to consolidation measures, notably in social security. The debt-to-GDP ratio is projected to increase from 62.8% in 2025 to 68.9% in 2028.

Short-term growth supported by exports and fiscal policy

Since the COVID-19 pandemic, Germany's recovery has been among the weakest in advanced economies. In 2025, relatively strong consumption growth was offset by weak exports and private investments, partly reflecting competition from China and the effects of US tariffs. This left economic activity broadly stagnant. In late 2025, the economy began to regain momentum, supported by the ramp-up in public spending. This upswing has continued into 2026, despite the conflict in the Middle East. The composition of growth is, however, expected to change significantly.

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



Higher energy bills are squeezing household budgets and confidence, restraining private consumption growth. Public spending on the other hand, that is public consumption, investment and transfers, is expected to support growth in both 2026 and 2027. From 2027 onwards, planned consolidation measures are set to dampen this growth effect. Investment is expected to recover, driven by defence-related equipment investment, and to a lesser degree recovering private investment. Residential construction is likely to bottom out in 2027 and recover only slowly thereafter, as improving permits feed through while building and financing costs remain high. After contracting for three years, exports drove growth in 2026-H1. Energy-intensive products such as chemicals have been in high demand. This is likely related to inventory build-ups and trade diversion effects as some competing producers were more affected by the conflict in the Middle East. In addition, some industries are set to profit from the global AI investment boom, which should support exports. However, structural challenges are set to persist, and export market shares are expected to decline again in 2027 and 2028. Trade is forecast to contribute to growth in 2026, be neutral in 2027 and detract from growth in 2028.

Real GDP is projected to grow by 1.3% in 2026, 1.0% in 2027 and 0.7% in 2028.

Demographic ageing is accelerating and structural change is leaving its mark

Low capacity utilisation dampens labour demand, leading to declining employment. Job losses in manufacturing are expected to continue and only be partially offset by gains in public services, such as health, care and defence. The unemployment rate is set to rise to 4.0% in 2026, and to remain broadly at that level until 2028. As the baby boomers increasingly reach retirement age and net migration decreases, the working-age population is expected to shrink, detracting from employment and GDP growth but also limiting the rise in unemployment. Rising inflation in 2026 and 2027 is set to slow down real wage growth. As inflation subsides, it is expected to resume.

High energy prices drive inflation

Inflation is projected to pick up again, reaching 2.9% in 2026 and peaking at 3.2% in 2027 before dropping to 2.0% in 2028. The conflict in the Middle East caused a sharp increase in fuel prices, driving energy inflation. Wholesale gas and electricity prices also spiked; household prices are set to react mainly in 2027 as contracts adjust. Wage growth is set to keep services inflation elevated, while some policy measures, such as increases in certain taxes and in co-payments for medicines, are expected to further add to inflation.

The degree of fiscal expansion moderates as of 2027

Fiscal policy is expected to be expansionary in 2026. The general government deficit is projected to rise to 4.1% of GDP in 2026, up from 2.9% in 2025. The expansion is largely driven by the expenditure side through social benefits. Growth in pension expenditure reflects the strong wage growth of recent years and the increase in retirees, while cost increases in the health and long-term care systems add to the pressure on public budgets. Infrastructure-related public investment in 2026 is set to be significantly below what was expected following the creation of the infrastructure and climate fund in 2025, largely due to implementation delays. At the same time, defence expenditure is growing steadily, benefiting from the reform of the national debt brake.

Despite the cyclical upswing, revenue growth is slowing down in 2026. The slowdown can be partly attributed to smaller increases in health insurance contribution rates compared to 2025, to tax relief measures such as relaxed depreciation rules for firms, and a tax rebate on fuels.

In 2027 and 2028, fiscal policy is expected to be less expansionary than in 2026. Deficits are expected to continue widening (to 4.4% and 4.5% of GDP respectively) but at a slowing pace. Infrastructure-related investment is set to gain momentum and social expenditure to stay elevated, partly due to new pension entitlements for mothers. Consolidation efforts are projected to partly offset this expansion. On the expenditure side, consolidation take place in the statutory social security system, particularly in healthcare. Announced higher excise tax rates in 2027 and pension contribution rates in 2028 are expected to raise revenues, as will the non-indexation of income tax brackets. The latter effect is not expected to be fully offset by the income tax reform.

Public debt is forecast to rise from 62.8% of GDP in 2025 to 68.9% in 2028, driven by the deficits.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		4529.7	100.0	1.2	-1.0	0.0	0.2	**1.3**	**1.0**	**0.7**
Private Consumption		2449.1	54.1	1.0	-0.2	1.4	1.3	**0.3**	**0.4**	**0.6**
Public Consumption		1012.8	22.4	2.3	-1.2	3.9	1.7	**2.9**	**0.8**	**0.9**
Gross fixed capital formation		915.1	20.2	1.4	-1.9	-2.1	-0.6	**0.0**	**2.3**	**2.0**
Exports (goods and services)		1816.0	40.1	2.6	-0.9	-1.7	-0.9	**3.9**	**2.3**	**0.9**
Imports (goods and services)		1715.7	37.9	3.2	-1.0	-0.6	2.9	**2.8**	**2.3**	**1.4**
GNI (GDP deflator)		4690.9	103.6	1.4	-1.3	0.4	0.2	**1.2**	**0.9**	**0.7**
Contribution to GDP growth:		Domestic demand		1.3	-0.8	1.1	1.0	**0.8**	**0.9**	**0.9**
		Inventories		0.0	-0.3	-0.6	0.7	**0.0**	**0.0**	**0.0**
		Net exports		0.0	0.0	-0.5	-1.5	**0.5**	**0.1**	**-0.2**
Employment				0.9	0.6	0.1	-0.2	**-0.5**	**-0.2**	**-0.1**
Unemployment rate (a)				4.8	3.1	3.5	3.8	**4.0**	**4.0**	**4.0**
Compensation of employees / head				2.4	6.3	5.2	4.8	**4.2**	**4.1**	**3.8**
Unit labour costs whole economy				2.1	8.0	5.3	4.4	**2.4**	**2.9**	**3.0**
Saving rate of households (b)				17.8	18.9	19.6	18.9	**19.1**	**18.9**	**19.0**
GDP deflator				1.9	7.2	3.1	3.0	**2.8**	**3.2**	**2.9**
Harmonised index of consumer prices				2.0	6.0	2.5	2.3	**2.9**	**3.2**	**2.0**
Terms of trade goods				0.0	5.3	1.7	0.9	**-1.4**	**-0.3**	**1.8**
Trade balance (goods) (c)				6.3	5.1	5.2	3.9	**3.8**	**3.8**	**4.1**
Current-account balance (c)				6.8	5.5	5.8	4.5	**4.4**	**4.3**	**4.6**
General government balance (c)				-0.7	-2.2	-2.7	-2.9	**-4.1**	**-4.4**	**-4.5**
Fiscal stance (c)				:	0.8	-0.1	-0.2	**-1.0**	**-0.3**	**-0.1**
Structural budget balance (d)				-0.2	-1.7	-1.8	-1.8	**-3.4**	**-4.0**	**-4.2**
General government gross debt (c)				69.6	61.8	61.4	62.8	**64.3**	**66.3**	**68.9**

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

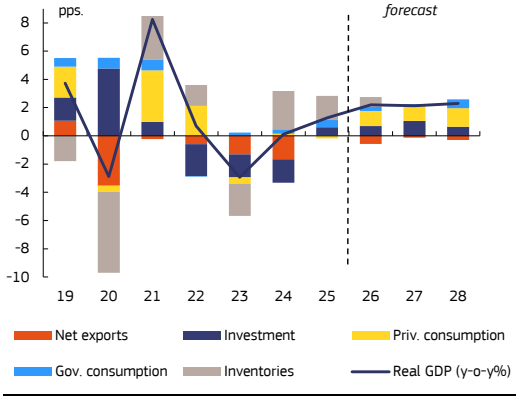
4. ESTONIA

The Estonian economy is projected to grow steadily—by 2.2% in 2026, 2.1% in 2027 and 2.3% in 2028. Consumption and investment are supported by favourable conditions, while export prospects are improving. While HICP inflation is set to moderate to 3.1% in 2026, it is expected to increase again in 2027 to 3.6% due to rising energy and services prices, before decelerating to 2.4% in 2028. The government deficit is set to widen to 4.4% of GDP in 2026, reflecting tax cuts and spending increases, before narrowing to 3.9% in 2027 and 2028.

Established recovery but moderate growth

Estonia's economy continued to expand in the first half of 2026, strongly driven by inventory accumulation, while other components of domestic demand made only an overall small contribution. Several growth-supporting policies are in place, such as a tax-free allowance, a higher minimum wage and substantial fiscal spending, yet their impact on economic activity has so far been contained. Higher loan servicing, fuel and energy costs started weighing on households spending in the second half of the year. Real wages are set to continue rising, supporting consumption growth in 2027 and 2028, though an ageing population allocating a larger share of its income to savings constrains it.

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



Investment remained weak in the first half of the year, despite robust corporate balance sheets and planned large-scale public investments, including in defence. An acceleration is expected in the second half of 2026, while some public projects, e.g. Rail Baltica, are extended to 2027-28 and beyond. Higher imports will accompany this expansion, as most defence products are sourced from abroad.

Export performance was muted in the first half of 2026. Demand in traditional markets, such as the Nordic countries, remained weak, but businesses increased their exports towards Lithuania, Latvia, Poland and Germany over the last few years. Elevated oil and gas prices made locally produced shale fuel oil and natural gas profitable to export. Without a correction in energy markets, these exports are expected to continue. Meanwhile the exports in the ICT sector, a key services' exporter, declined. In 2027 and 2028, the revival of the Finnish and Scandinavian economies is set to lift Estonia's exports.

Real GDP in 2026 is expected to grow by 2.2%, followed by 2.1% in 2027, and 2.3% in 2028.

Inactivity and shrinking labour force reduce unemployment

The unemployment rate declined to 6.6% in the second quarter of 2026 despite weak employment dynamics, as rising inactivity—particularly due to illness and disability—reduced the labour force. In third quarter, unemployment indicators diverged—the Eurostat seasonally adjusted rate was picking up while registered unemployment continued to decline. The unemployment rate is projected to decline from 7.1% in 2026 to 6.9% in 2027 and 6.8% in 2028, amid shrinking labour force. Nominal wage growth moderated to 5.6% in the second quarter of 2026 and is projected to remain below 5% in 2027 and 2028.

Temporary factors lower inflation but energy pressures build

HICP inflation decreased to 2.1% in the third quarter of 2026. This reflected the drop-out of last year's VAT rate increase from the calculations, a good regional harvest that lowered food prices,

weaker services inflation (partly because the medical fee increase was no longer included in the HICP calculation) and broadly flat prices of non-energy industrial goods. Energy prices, however, are projected to drive inflation up over the next quarters, until their impact dissipates by mid-2027. Inflation is projected at 3.1% in 2026 and 3.6% in 2027. In 2028, it is set to decline to 2.4%, as energy prices are expected to contribute negatively. Services prices are forecast to become the main driver amid a tighter labour market and growing wages.

The government deficit is set to widen, reflecting tax cuts and spending increases

The general government deficit is projected to increase from 2.0% of GDP in 2025 to 4.4% of GDP in 2026. The universal tax-free income allowance is expected to reduce personal income tax revenue by around 1.2% of GDP in 2026. Meanwhile, continued growth in labour incomes and recovering private consumption support tax receipts, alongside the carry-over effect of the VAT rate increase in July 2025. On the expenditure side, gross fixed capital formation is projected to rise by around 1.2% of GDP, driven by infrastructure projects such as Rail Baltica. Higher wages, notably for teachers and internal security personnel, are also set to increase the deficit. Total defence spending is forecast to increase by 0.8 pps. of GDP, reaching close to 5.0% of GDP in 2026.

In 2027, the deficit is forecast to narrow to 3.9% of GDP. Revenue growth is expected to pick up, supported by stronger private consumption and continued—albeit slower—growth in labour incomes. Higher energy excise revenue is expected to offset income tax refunds to taxpayers whose tax-free allowance was not fully applied during 2026. On the expenditure side, lower public investment is projected to support the deficit reduction, partly offset by a rise in defence spending and an increase in the public wage bill as a share of GDP.

In 2028, the deficit is projected to remain at 3.9% of GDP, as higher interest expenditure offsets an improvement in the primary balance. Intermediate consumption is set to increase, while slower growth in the public wage bill is expected to help contain expenditure. Public investment is forecast to rise moderately, and defence spending is set to reach 5.2% of GDP.

Public debt is projected to rise from 24.0% of GDP in 2025 to 32.1% in 2028, driven by high deficits.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		41.9	100.0	1.8	-2.9	0.1	1.3	**2.2**	**2.1**	**2.3**
Private Consumption		21.9	52.3	2.2	-0.9	0.3	-0.3	**2.1**	**2.1**	**2.5**
Public Consumption		8.9	21.3	2.2	1.3	1.5	2.4	**1.4**	**0.4**	**2.9**
Gross fixed capital formation		9.9	23.6	1.9	-6.0	-6.5	2.4	**2.9**	**4.3**	**2.6**
Exports (goods and services)		32.7	78.2	5.3	-10.9	-1.5	4.8	**2.8**	**2.1**	**2.0**
Imports (goods and services)		32.3	77.1	4.7	-9.3	0.6	4.7	**3.6**	**2.2**	**2.3**
GNI (GDP deflator)		41.5	99.0	2.0	-3.9	1.0	2.4	**2.2**	**2.1**	**2.3**
Contribution to GDP growth:		Domestic demand		2.1	-1.8	-1.2	0.9	**2.0**	**2.2**	**2.6**
		Inventories		-0.2	-2.3	2.7	1.7	**0.7**	**0.0**	**0.0**
		Net exports		0.4	-1.3	-1.7	0.1	**-0.6**	**-0.1**	**-0.3**
Employment				0.2	3.2	0.2	-0.5	**0.0**	**0.1**	**0.1**
Unemployment rate (a)				7.9	6.4	7.6	7.5	**7.1**	**6.9**	**6.8**
Compensation of employees / head				6.8	8.6	6.6	5.1	**5.6**	**4.6**	**4.3**
Unit labour costs whole economy				5.2	15.5	6.7	3.3	**3.3**	**2.5**	**2.1**
Saving rate of households (b)				8.1	3.5	7.3	10.1	**11.1**	**10.2**	**9.1**
GDP deflator				4.5	7.9	4.4	3.7	**3.0**	**3.1**	**3.0**
Harmonised index of consumer prices				4.1	9.1	3.7	4.8	**3.1**	**3.6**	**2.4**
Terms of trade goods				0.2	4.0	0.6	1.0	**-2.6**	**-1.2**	**-0.4**
Trade balance (goods) (c)				-5.7	-6.1	-7.4	-6.7	**-9.1**	**-9.5**	**-9.5**
Current-account balance (c)				-1.3	-1.5	-1.7	0.3	**-1.4**	**-1.9**	**-1.8**
General government balance (c)				-0.8	-2.7	-1.6	-2.0	**-4.4**	**-3.9**	**-3.9**
Fiscal stance (c)				:	-1.3	1.1	0.6	**-2.6**	**0.9**	**-0.1**
Structural budget balance (d)				-1.5	-1.0	-0.4	-0.7	**-3.7**	**-3.7**	**-4.2**
General government gross debt (c)				10.7	20.3	23.5	24.0	**26.2**	**28.4**	**32.1**

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

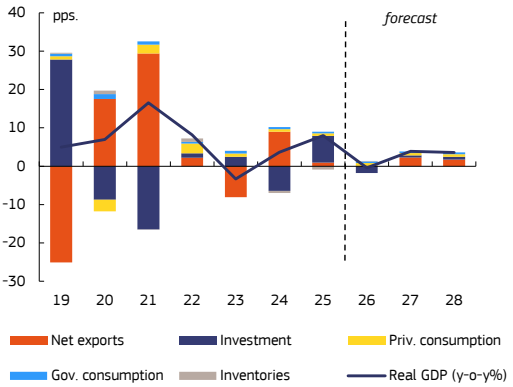
5. IRELAND

Ireland's GDP is expected to contract mildly by 0.4% in 2026, mainly due to base effects from the pharmaceutical sector's exceptional growth in early 2025. It is projected to grow again by 3.9% in 2027 and 3.6% in 2028, supported by continued export growth. Domestic economic activity is set to keep expanding, driven by resilient household consumption and robust investment. Inflation is expected to remain elevated amid high energy prices, before easing in 2028. Public finances are set to stay in surplus, though the outlook is marked by continued risks to corporation tax revenue.

Domestic economy maintains growth momentum, while GDP volatility persists

Ireland's real GDP fell by 7% y-o-y in the first half of 2026, mainly due to a decline in 2026-Q1 driven by base effects from the pharmaceutical export surge in early 2025. GDP rebounded in the second quarter of the year as exports recovered, and preliminary GDP estimates point to strong growth in the third quarter. The domestic economy remained robust. It was underpinned by resilient household consumption despite higher inflation, and by strong modified investment (which excludes the more volatile intangible and aircraft leasing components), particularly in technology-related assets by multinational firms.

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



Overall, following the surge seen in 2025, GDP is projected to contract by 0.4% in 2026, before growing again by 3.9% in 2027 and 3.6% in 2028. Modified domestic demand - a less volatile indicator of domestic economic activity in Ireland - is set to expand by 3.9% in 2026, 3.0% in 2027 and 3.5% in 2028.

Private consumption is expected to keep growing, underpinned by a resilient labour market and substantial household savings. Modified investment is also projected to remain strong, supported by continued technology and AI-related investment, residential construction growth and the government's National Development Plan. Headline investment fell sharply in the first half of 2026, largely due to base effects from a spike in intellectual property imports a year earlier. The forecast for headline investment incorporates a technical assumption that volatile R&D-related intellectual property investment will remain broadly unchanged in the coming quarters.

Exports are projected to support growth, driven by sustained demand for pharmaceuticals produced in Ireland, AI-related trade flows and robust computer service exports. Ireland's high concentration of activity in a few multinational-dominated sectors leaves the economy exposed to firm and sector-specific shocks as well as adverse international developments.

Employment growth moderates

Employment continued to grow in the first half of 2026, albeit at a slower pace than in previous years, while the unemployment rate increased slightly from low levels. These developments point to an easing of labour market conditions. However, divergences between labour market data sources add uncertainty to the assessment of underlying conditions. Employment is expected to keep growing over the forecast horizon, though at a slower pace, supported by sustained growth in the domestic economy, while the unemployment rate is projected to remain at around 5%.

Inflationary pressures remain elevated amid high energy prices

HICP inflation averaged 3.2% y-o-y in the first three quarters of 2026, partly driven by higher global energy prices. Inflation is expected to remain elevated, reflecting high energy prices,

sustained services inflation and the pass-through of higher energy costs to other components of inflation. Temporary energy support measures are set to partially cushion the impact on consumer prices. Overall, headline inflation is forecast to reach 3.4% in 2026 and 3.1% in 2027, before moderating to 2.2% in 2028 as energy price pressures are expected to gradually ease.

Public finances are set to stay in surplus

Ireland's general government is set to register a fiscal surplus of 1.4% of GDP in 2026. Robust domestic economic activity supported strong growth in tax receipts in the first three quarters of the year. While growth in corporate profits is projected to moderate this year, corporation tax revenue is expected to grow further thanks to first receipts of the domestic top-up tax, which applies a minimum effective tax rate of 15% for large corporate groups.

The surplus is projected to remain at 1.4% of GDP in 2027 and decline to 0.6% of GDP in 2028, as expenditure growth is forecast to outpace growth in revenue. The strong growth in expenditure reflects projected increases in public sector pay, social transfers and capital investment, the latter contingent on reforms planned under the Accelerating Infrastructure Action Plan. On the revenue side, corporation tax revenue is set to benefit from additional top-up tax receipts of around EUR 3 bn in 2027, of which around half is expected to unwind in 2028. This can be explained by a timing factor, as the top-up tax legislation allows for an extended filing deadline for first-time payers, and as a result in 2027 some companies are expected to file double tax returns for the two preceding fiscal years. Revenue from other tax categories is set to maintain a solid growth momentum on the back of an expanding domestic economy, while a slowdown is expected for VAT receipts as the reduced rate for the hospitality sector takes a full-year effect in 2027. Energy support measures, totalling around 0.2% of GDP in 2026, are assumed to be phased out throughout 2027.

The general government debt-to-GDP ratio is forecast to decrease from 33.5% in 2026 to 32.2% in 2027 and 32% in 2028. The debt ratio is expected to fall more gradually than implied by headline budget surpluses, mainly reflecting cash transfers to the Future Ireland Funds.

The concentrated nature of Ireland's corporation tax revenue remains a risk and makes Ireland's public finances vulnerable to changes in US trade and tax policies as well as shifts in the international tax environment.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		602.4	100.0	5.4	-3.3	3.6	8.0	**-0.4**	**3.9**	**3.6**
Private Consumption		154.4	25.6	1.8	3.5	2.4	2.5	**2.8**	**2.2**	**2.5**
Public Consumption		73.2	12.2	2.7	6.0	4.7	3.3	**3.5**	**3.4**	**3.4**
Gross fixed capital formation		145.3	24.1	3.7	11.4	-25.6	38.4	**-7.5**	**2.5**	**3.4**
Exports (goods and services)		884.8	146.9	9.2	-3.8	10.2	7.5	**4.1**	**4.6**	**4.0**
Imports (goods and services)		658.7	109.3	7.3	2.8	4.8	9.6	**5.4**	**4.1**	**3.8**
GNI (GDP deflator)		430.0	71.4	3.8	6.9	4.3	1.1	**2.7**	**2.1**	**2.9**
Contribution to GDP growth:		Domestic demand		2.0	4.0	-5.3	8.0	**-0.7**	**1.6**	**1.9**
		Inventories		0.2	0.1	-0.5	-0.9	**0.2**	**0.0**	**0.0**
		Net exports		3.9	-8.1	9.0	0.9	**0.1**	**2.3**	**1.7**
Employment				1.3	3.5	2.7	2.0	**0.9**	**1.8**	**1.4**
Unemployment rate (a)				9.3	4.3	4.3	4.7	**5.0**	**5.0**	**5.1**
Compensation of employees / head				2.4	4.1	6.7	2.6	**4.7**	**3.7**	**3.6**
Unit labour costs whole economy				-1.6	11.4	5.7	-3.0	**6.1**	**1.6**	**1.4**
Saving rate of households (b)				14.5	15.8	20.2	19.9	**19.5**	**19.1**	**19.4**
GDP deflator				1.2	2.9	4.1	-0.7	**2.6**	**2.9**	**2.5**
Harmonised index of consumer prices				1.1	5.2	1.3	2.1	**3.4**	**3.1**	**2.2**
Terms of trade goods				-0.8	-0.6	-0.4	-3.6	**-1.3**	**0.1**	**0.3**
Trade balance (goods) (c)				28.6	30.1	31.5	32.8	**31.8**	**31.8**	**31.4**
Current-account balance (c)				-1.0	8.1	17.1	8.0	**10.0**	**9.3**	**8.9**
General government balance (c)				-5.7	1.5	4.2	1.8	**1.4**	**1.4**	**0.6**
Fiscal stance (c)				:	-1.2	0.5	-0.6	**0.0**	**0.3**	**-0.4**
Structural budget balance (d)				-1.3	1.4	1.6	0.0	**1.7**	**1.6**	**0.9**
General government gross debt (c)				71.5	42.1	38.4	34.8	**33.5**	**32.2**	**32.0**

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

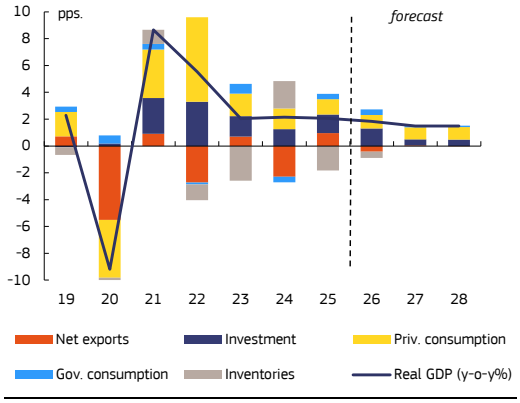
6. GREECE

Economic growth in Greece is expected to moderate to 1.8% in 2026, as the energy price shock reduces households' real income and restrains consumption growth. Investment, however, is expected to remain strong, bolstered by the absorption of EU funds. GDP growth is forecast to ease further to around 1.5% in 2027 and 2028 as the implementation of the RRF winds down. Driven by the surge in energy prices, inflation is expected to rise to 4.1% in 2026, and to decline gradually to 2.4% by 2028. Unemployment is set to fall, albeit more slowly than in the past, to 7.7% in 2028. Greece's fiscal position is projected to maintain sizeable primary surpluses, although continued expansionary measures are set to gradually reduce their size over the forecast horizon. The debt-to-GDP ratio is set to remain on a downward path, declining to 126.6% by the end of 2028.

GDP growth is set to moderate, but remain above the euro area average

In the first half of 2026, the Greek economy expanded by 1.9% y-o-y, driven by broad-based growth of domestic demand.

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



Investment activity is expected to remain buoyant in the second half of 2026, underpinned by a record-high inflow of EU funds through the RRF. However, the rise in energy prices is set to weigh on household consumption, even if this impact is mitigated by recent energy support measures and reductions in the tax wedge, introduced in 2026 and scheduled for 2027. Although Greece remains highly dependent on energy imports, the trade balance is supported by the export of refined oil products and by the widening price difference between refined oil products and crude oil (crack spread). This improves the terms of trade and increases the GDP deflator in 2026. Looking beyond 2026, elevated energy costs, tighter financing conditions and the gradual winding down of the RRF are expected to dampen investment. Overall, GDP growth is forecast to ease to around 1.8% in 2026 and to 1.5% in both 2027 and 2028, bringing Greece's GDP growth closer to the euro-area average.

Unemployment remains on a downward path

The labour market kept expanding in early 2026, with the unemployment rate falling to 8.3% in the second quarter. The long-term unemployment rate also declined to 4.3%, although it remained the highest in the EU. Vacancy rates remained high, signalling a tight labour market, particularly in tourism. Employment is expected to grow, albeit at a modest pace due to structural impediments such as skill gaps and limited access to child and elderly care, as well as moderating economic activity. The unemployment rate is projected to decline further to 7.7% by 2028. Wage growth is set to moderate over the forecast horizon, as the inflationary shock fades away.

Energy price shock drives inflationary developments

The energy crisis triggered an increase in inflation, which averaged 3.8% in the third quarter of 2026. In a context of strong demand and a tight labour market, the increase in energy prices is expected to pass through to non-energy goods and services prices, keeping inflation elevated in 2027. As a result, inflation is forecast to increase to 4.1% in 2026 and then to moderate to 3.2% in 2027. In 2028, inflation is forecast to further decline to 2.4% as the effect of energy price shocks phases out and domestic demand moderates.

Fiscal surpluses moderate amid expansionary measures

The general government surplus is projected to decline from 2.0% of GDP in 2025 to 0.9% of GDP in 2026, corresponding to a reduction in the primary surplus from 5.1% to 4.1% of GDP. The decrease in the headline surplus reflects the impact of expansionary fiscal measures, partly compensated by continued robust revenue growth. Fiscal measures excluding energy support are set to have an incremental budgetary cost of around 0.8% of GDP in 2026. These mainly comprise personal income tax cuts, higher public sector wages and enhanced support for pensioners and people with disabilities. Energy support measures to mitigate high energy prices for households and businesses amount to 0.3% of GDP in 2026, with most of them assumed to be discontinued in 2027.

In 2027, the general government surplus is forecast to moderate to 0.7% of GDP, while the primary surplus is set to decline to 3.7% of GDP. Fiscal measures are expected to have an additional net budgetary cost of around 0.6% of GDP. These include further public sector pay increases, a EUR 500 Christmas benefit for public sector employees and a 0.5 pps. reduction in social security contributions. Additional costs stem from tax relief for families with many children, farmers and the self-employed, as well as from a reduction in the business levy for legal entities. The forecast also includes a EUR 95 million subsidy to the manufacturing sector for increased electricity cost of 2026. These effects are set to be partly offset by favourable revenue developments, including gains from the extension of the digital labour card to new sectors and other smaller revenue increasing measures.

In 2028, the headline surplus is projected to narrow further to 0.2% of GDP, while the primary surplus declines to 3.4%. Fiscal measures are expected to have a further net cost of around 0.1% of GDP, mainly reflecting the full-year impact of previously adopted measures while interest expenditure is set to increase by 0.2% of GDP.

General government debt declined to 140.8% of GDP by June 2026, almost 50 pps. below its pre-COVID-19 peak in 2018. The ratio is set to decline further, to 126.6% by 2028, supported by strong nominal GDP growth, budget surpluses, and the use of cash reserves for debt repayments.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		249.7	100.0	-1.1	2.0	2.1	2.1	**1.8**	**1.5**	**1.5**
Private Consumption		171.8	68.8	-0.4	2.4	2.2	1.7	**1.5**	**1.3**	**1.4**
Public Consumption		46.1	18.5	-1.0	3.6	-2.1	2.1	**2.2**	**0.5**	**0.5**
Gross fixed capital formation		44.8	18.0	-3.1	9.5	7.6	8.0	**7.3**	**2.5**	**2.6**
Exports (goods and services)		98.1	39.3	2.6	2.4	0.8	0.4	**2.9**	**2.7**	**2.6**
Imports (goods and services)		109.7	43.9	1.4	0.8	5.4	-1.7	**3.6**	**2.3**	**2.4**
GNI (GDP deflator)		244.4	97.9	-1.0	0.5	2.0	2.9	**1.8**	**1.3**	**1.5**
Contribution to GDP growth:		Domestic demand		-0.9	3.9	2.4	2.9	**2.7**	**1.4**	**1.5**
		Inventories		-0.2	-2.6	2.0	-1.8	**-0.5**	**0.0**	**0.0**
		Net exports		0.1	0.7	-2.3	1.0	**-0.4**	**0.0**	**0.0**
Employment				0.4	2.1	1.4	1.3	**0.5**	**0.4**	**0.3**
Unemployment rate (a)				18.1	11.1	10.1	8.9	**8.4**	**8.0**	**7.7**
Compensation of employees / head				-0.9	3.5	5.8	4.2	**3.8**	**3.4**	**2.8**
Unit labour costs whole economy				0.6	3.5	5.0	3.4	**2.4**	**2.3**	**1.6**
Saving rate of households (b)				0.5	-2.5	-2.4	-3.9	**-3.1**	**-2.0**	**-2.2**
GDP deflator				0.9	6.5	3.4	2.9	**4.2**	**2.9**	**2.1**
Harmonised index of consumer prices				1.5	4.2	3.0	2.9	**4.1**	**3.2**	**2.4**
Terms of trade goods				0.0	3.5	0.8	-1.9	**4.4**	**0.9**	**-2.1**
Trade balance (goods) (c)				-13.2	-14.4	-15.3	-13.7	**-13.1**	**-12.6**	**-12.8**
Current-account balance (c)				-6.9	-7.6	-7.3	-5.6	**-6.3**	**-5.9**	**-5.9**
General government balance (c)				-6.5	-1.5	1.4	2.0	**0.9**	**0.7**	**0.2**
Fiscal stance (c)				:	0.6	1.7	-0.5	**-2.4**	**1.5**	**1.0**
Structural budget balance (d)				2.4	-1.8	0.5	0.8	**-0.5**	**-0.6**	**-0.9**
General government gross debt (c)				168.5	164.0	153.5	145.4	**135.7**	**130.7**	**126.6**

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

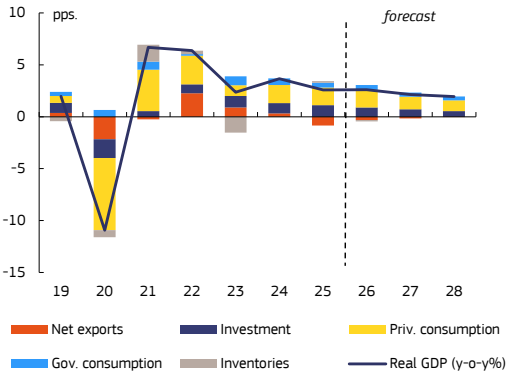
7. SPAIN

Real GDP is expected to remain strong in 2026, at 2.6%, but to decelerate gradually over the forecast horizon, reaching 2.1% in 2027 and 1.9% in 2028, as employment growth loses momentum and the RRF support winds down. Economic activity is set to be driven by domestic demand. Private consumption, supported by a further decline in the household saving rate, and to a lesser extent investment, are expected to remain the main engines of growth. Led by the surge in energy prices, HICP inflation is projected to rise to 3.9% in 2026, before easing to 3.3% in 2027. The government deficit is set to increase in 2026 to 2.6% of GDP and fall to 2.2% in 2028. The debt-to-GDP ratio is forecast to drop below 100% over the forecast horizon.

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

In the third quarter of 2026, real GDP expanded by 0.6% q-o-q, supported by private consumption and by a marginally positive contribution from net exports. Despite the uncertain geopolitical environment and the drag exerted by elevated energy prices, economic activity is set to remain buoyant in 2026. Real GDP is forecast to grow by 2.6% this year, also underpinned by strong carry-over from 2025. Thereafter, it is set to moderate to 2.1% in 2027 and to 2.1% in 2028 as the pace of job creation loses momentum and RRP-financed investment winds down.

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



Domestic demand is set to lead economic growth over the next years, driven mainly by private consumption and, to a lesser extent, investment. Consumer spending is expected to be underpinned by continued, yet moderating, employment growth, in a context of inward migration, and by a further decline in the household saving rate. Similarly, the healthy financial position of non-financial corporations and the execution of the RRP are projected to sustain gross fixed capital formation in 2026, particularly in construction and intangible assets. Investment is then set to decelerate in 2027 and 2028. The drag from net exports on GDP growth is set to fade gradually, from 0.3 pps. in 2026 to a neutral contribution in 2028. Export growth is expected to pick up on the back of a modest improvement in external demand, while imports slow in line with domestic demand.

The main risks faced by the economy concern mainly the potential impact of persistent bottlenecks in the housing market. A continued shortfall in supply relative to household formation would keep price pressures elevated and could increasingly constrain labour mobility and the inflows of workers. At the same time, rising construction costs could further weigh on residential investment. In the labour market, nominal wage growth combined with weak productivity growth could keep unit labour costs rising faster than in the euro area, with a more lasting pass-through to services prices and an erosion of external competitiveness. On the upside, a faster decline in the household saving rate, currently above its historical average, could sustain consumption beyond the baseline.

Dynamic labour market and declining unemployment

Strong migration inflows, reinforced by the recent extraordinary regularisation of migrants, are set to support a further expansion of the workforce and uphold job creation in 2026. The labour market is projected to lose momentum over the forecast horizon, in line with the deceleration of economic growth. Employment is expected to grow by 2.3% in 2026 and 1.8% in 2027, while hours worked increase overall at a slower pace. The unemployment rate is projected to continue declining to 9.9% in 2026, 9.6% in 2027 and 9.4% 2028.

Inflation to rise in 2026 due to higher energy prices

HICP inflation is projected to rise in 2026, to 3.9%, driven by the increase in energy prices. This compounds persistent price pressures in services and the gradual pass-through of higher energy prices to food and industrial goods. As a result, HICP inflation excluding energy and food is set to keep rising in the coming quarters and to remain elevated in 2027. Headline inflation is expected to ease to 3.3% in 2027, as energy base effects unwind, and to 2.3% in 2028. The broad-based increase in prices could feed into higher-than-anticipated nominal wage growth over 2026-27.

Government deficit to increase in 2026 due to cost of policy measures

In 2026, the general government deficit is expected to rise slightly to 2.6% of GDP, driven by the fiscal cost (estimated at 0.5% of GDP) of measures to cushion the economic effects of the conflict in the Middle East. On the revenue side, these include VAT cuts on fuels, electricity and gas, a lower excise duty on hydrocarbons, and the suspension of the tax on electricity production. On the expenditure side, they comprise direct support for farmers, transport operators, electro-intensive firms, and vulnerable households. Temporary flood-relief measures for Andalusia and Extremadura add a further 0.3% of GDP. Revenue, particularly from direct taxation, remains strong. It is underpinned by high growth in capital gains and taxes on income driven by the deferred rise in public wages from 2025. However, the positive revenue developments are not expected to fully compensate for the different spending measures.

Due to the snap election being called, the draft 2027 budget has not been presented, and the forecast assumes unchanged policies. In 2027, the deficit is forecast to decline to 2.2% of GDP, on the back of the lower projected cost of flood-related emergency measures—compared to 2026—and the assumed expiry of energy-support measures. Along with the higher revenue from direct taxation and social security contributions, these factors will more than offset increases in defence spending, interest payments and pensions. After an expansionary fiscal stance in 2026, fiscal policy is set to become contractionary in 2027 following the end of the RRF implementation period.

In 2028, the deficit is expected to stabilise, as higher revenue from social contributions and taxes on income and wealth are set to be offset by higher expenditure on pensions, interest and defence. The debt-to-GDP ratio is projected to keep falling to 99.2% in 2026, dropping below 100% for the first time since 2019, thanks to nominal GDP growth outpacing the cost of debt servicing. The debt is expected to keep narrowing, also supported by a projected primary surplus.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		1690.0	100.0	0.8	2.4	3.7	2.6	**2.6**	**2.1**	**1.9**
Private Consumption		932.9	55.2	0.2	1.9	3.1	3.1	**3.1**	**2.1**	**1.9**
Public Consumption		324.5	19.2	1.5	4.3	3.3	2.4	**2.4**	**2.1**	**1.9**
Gross fixed capital formation		354.3	21.0	-1.0	5.3	4.9	5.4	**4.3**	**3.4**	**2.6**
Exports (goods and services)		616.5	36.5	2.7	2.2	3.8	2.6	**2.5**	**2.6**	**2.4**
Imports (goods and services)		551.4	32.6	0.7	-0.1	3.3	5.5	**3.8**	**3.4**	**2.6**
GNI (GDP deflator)		1693.7	100.2	0.9	1.5	3.7	3.1	**2.3**	**2.3**	**2.1**
Contribution to GDP growth:	Domestic demand			0.1	3.0	3.4	3.3	**3.1**	**2.3**	**1.9**
	Inventories			0.1	-1.5	0.0	0.2	**-0.1**	**0.0**	**0.0**
	Net exports			0.6	0.9	0.3	-0.8	**-0.3**	**-0.2**	**0.0**
Employment				0.1	3.1	3.0	2.6	**2.3**	**1.8**	**1.6**
Unemployment rate (a)				17.9	12.2	11.4	10.5	**9.9**	**9.6**	**9.4**
Compensation of employees / head				2.0	5.1	3.7	4.4	**3.6**	**3.4**	**2.7**
Unit labour costs whole economy				1.3	5.9	3.0	4.4	**3.4**	**3.1**	**2.4**
Saving rate of households (b)				9.1	11.4	12.8	11.9	**10.8**	**10.5**	**10.3**
GDP deflator				1.2	6.2	3.1	3.0	**3.0**	**3.1**	**2.4**
Harmonised index of consumer prices				1.9	3.4	2.9	2.7	**3.9**	**3.3**	**2.3**
Terms of trade goods				-0.4	6.9	1.1	1.4	**-0.3**	**0.4**	**0.7**
Trade balance (goods) (c)				-3.2	-2.3	-2.1	-3.0	**-3.8**	**-4.0**	**-3.9**
Current-account balance (c)				-0.6	2.7	3.3	3.2	**2.4**	**2.5**	**2.8**
General government balance (c)				-6.1	-3.3	-3.2	-2.4	**-2.6**	**-2.2**	**-2.2**
Fiscal stance (c)				:	0.4	0.3	0.1	**-0.7**	**0.6**	**0.4**
Structural budget balance (d)				-3.4	-3.8	-3.5	-3.1	**-3.2**	**-3.0**	**-2.9**
General government gross debt (c)				87.5	105.3	101.4	100.5	**99.2**	**97.9**	**97.2**

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

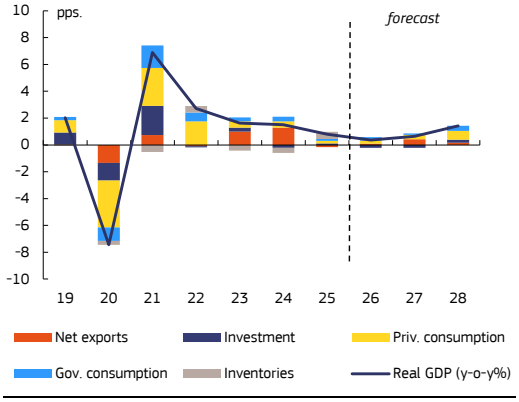
8. FRANCE

Economic growth is set to decelerate to 0.4% in 2026, dragged down by weak investment, high energy prices and the adverse impact of the summer's heatwaves. It is expected to increase to 0.6% in 2027, driven by net exports and a rebound in agricultural production. In 2028, in the absence of further adjustment, economic activity is forecast to accelerate to 1.4%. High energy prices are set to lift inflation to 2.6% in 2026 and 2.9% in 2027. The government deficit is expected at 5.5% in 2026, before declining to 5.4% in 2027 and edging up again in 2028 under a no-policy-change assumption. Public debt is set to increase from 115.7% of GDP in 2025 to 123.2% by 2028, driven by continuing sizeable deficits.

Rising energy prices and fiscal adjustment weigh on demand

Real GDP growth is expected to decrease to 0.4% in 2026. In the first three quarters of 2026, economic activity was dragged down by a drop in residential investment, following the suspension of subsidies for renovation, and weaker public investment. In addition, exports were hit by supply bottlenecks in aeronautics in 2026-Q3. Still, net exports are projected to contribute 0.1 pps. to GDP growth in 2026. Higher energy prices and headline inflation are weighing on private consumption, which is expected to remain subdued over the year, despite a small decline in the saving rate to a still high rate of 17.3%. On the production side, lower agricultural output due to the summer exceptional heatwaves and drought also detracted from growth.

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



In 2027, economic activity is projected to gain some momentum, despite the fiscal consolidation included in the draft budget. Real GDP growth is set to reach 0.6%. This improvement is supported by the dissipation of the temporary factors weighing on activity in 2026. Private consumption is expected to pick up and to contribute 0.3 pps. to GDP growth, leading to a further projected decline of the saving rate to 16.6%. Investment is set to detract 0.2 pps. from GDP growth, weighed down by residential and equipment investment. Net exports are expected to accelerate, driven by aeronautics and defence, as well as by accelerating economic activity in France's trade partners.

Unemployment set to increase

The labour market weakened in 2026, with the unemployment rate rising to 8.3% in 2026-Q2, up 0.7 pps. y-o-y, against a backdrop of an increased labour force. The activity rate of people aged 15 to 64 was stable in 2026-Q2 at a record high of 75.4%. The labour force is projected to increase in 2027 and to accelerate in 2028, following the assumed reinstatement of the 2023 pension reform. Payroll employment is expected to decline by 0.3% in 2026 and 0.5% in 2027, before picking up again in 2028 (+0.1%). The unemployment rate is set to increase from 8.4% in 2026 to 9.2% in 2027 and 9.8% in 2028.

Inflation expected to increase due to higher energy and food prices

Inflation rose to 3.8% in October 2026, reflecting a 24.1% surge in energy prices and a 2.7% increase in services prices. Inflation is expected to peak at 4.3% in 2027-Q1 due to further increases in energy prices and their pass-through to food and services prices. It is then set to decline to 1.6% in 2027-Q4 as energy prices gradually decline. Headline inflation is projected at 2.9% on average in 2027 and at 2.1% in 2028.

Large primary deficits and rising interest payments leading to higher public debt

The general government deficit is expected to rise to 5.5% of GDP in 2026, from 5.1% in 2025. This increase reflects the slowdown in economic activity and associated sluggish tax revenue, as well as a 0.4 pps. increase —to 2.6% of GDP —of interest payments on government debt. These factors are expected to more than offset the impact of the deficit-reducing measures implemented since spring, namely expenditure savings across ministries and public administrations of about 0.3% of GDP and, on the revenue side, the freezing of social contribution exemptions.

In 2027, the general government deficit is expected to decline only slightly to 5.4% of GDP, as the projected muted economic growth and increasing interest payments on public debt offset the significant consolidation effort embedded in the forecast. On the expenditure side, the announced measures in the draft budget, which underpin the forecast, are worth about 0.8% of GDP. They include the partial freezing of pensions, the freezing and reform of several social benefits and across-the-board efforts to contain expenditure at various levels of public administration. At the same time, interest payments are projected to increase by 0.4 pps., to 3% of GDP, driven by higher interest rates on new bond issuances and payments on inflation-indexed bonds. On the revenue side, while tax receipts are still expected to grow broadly in line with economic activity, newly-announced and past revenue-increasing measures account for about 0.7% of GDP. They include, among others, the prolongation of the exceptional contribution by large enterprises, the renewed freezing of social contributions' exemptions, the capping or reduction of tax exemptions, including for pensioners and on work-related social benefits, and an exceptional levy on dormant assets.

In 2028, under a no-policy-change assumption, the general government deficit is expected to increase to 5.7% of GDP. While some revenue measures planned for 2027 are set to expire, tax revenue is overall projected to evolve broadly in line with economic activity. On the expenditure side, interest payments are expected to increase further, to 3.3% of GDP.

The government debt-to-GDP ratio is projected to remain on an upward trend over the forecast horizon and to exceed 123% in 2028. This trend, assuming unchanged policies, is set to be mainly driven by high primary deficits and rising interest payments.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		2991.1	100.0	1.0	1.6	1.5	0.8	**0.4**	**0.6**	**1.4**
Private Consumption		1615.4	54.0	1.1	0.8	0.8	0.4	**0.4**	**0.6**	**1.2**
Public Consumption		719.6	24.1	1.5	1.2	1.5	0.6	**1.1**	**0.5**	**1.6**
Gross fixed capital formation		663.6	22.2	1.1	1.3	-0.9	0.5	**-1.0**	**-1.0**	**1.0**
Exports (goods and services)		1009.4	33.7	2.1	2.5	3.2	2.3	**1.0**	**2.2**	**2.5**
Imports (goods and services)		1023.8	34.2	2.6	-0.2	-0.6	2.8	**0.7**	**1.0**	**1.9**
GNI (GDP deflator)		3042.4	101.7	1.0	0.7	1.0	0.9	**0.4**	**0.7**	**1.4**
Contribution to GDP growth:	Domestic demand			1.2	1.1	0.6	0.5	**0.3**	**0.2**	**1.2**
	Inventories			0.0	-0.4	-0.4	0.5	**0.0**	**0.0**	**0.0**
	Net exports			-0.2	1.0	1.3	-0.2	**0.1**	**0.4**	**0.2**
Employment				0.7	1.0	0.7	0.2	**0.0**	**-0.2**	**0.3**
Unemployment rate (a)				9.0	7.4	7.4	7.7	**8.4**	**9.2**	**9.8**
Compensation of employees / head				1.8	4.5	3.1	2.2	**2.4**	**3.1**	**3.0**
Unit labour costs whole economy				1.6	3.9	2.3	1.6	**2.1**	**2.3**	**1.9**
Saving rate of households (b)				15.1	16.7	18.0	17.4	**17.3**	**16.6**	**16.9**
GDP deflator				1.3	5.1	2.0	1.1	**1.8**	**1.9**	**2.4**
Harmonised index of consumer prices				1.6	5.7	2.3	0.9	**2.6**	**2.9**	**2.1**
Terms of trade goods				0.0	1.1	-0.5	0.8	**-1.0**	**-1.9**	**1.5**
Trade balance (goods) (c)				-2.1	-2.9	-1.9	-1.8	**-2.3**	**-2.6**	**-2.1**
Current-account balance (c)				-0.5	-1.4	-0.4	-0.5	**-0.7**	**-0.9**	**-0.3**
General government balance (c)				-4.8	-5.4	-5.8	-5.1	**-5.5**	**-5.4**	**-5.7**
Fiscal stance (c)				:	0.6	0.1	0.8	**1.1**	**1.1**	**0.0**
Structural budget balance (d)				-3.5	-5.1	-5.6	-4.7	**-4.6**	**-4.3**	**-4.7**
General government gross debt (c)				94.2	109.5	112.6	115.7	**119.2**	**122.1**	**123.2**

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

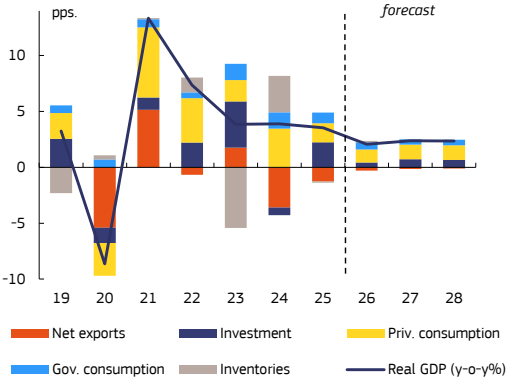
9. CROATIA

Croatia's GDP growth is expected to moderate in 2026 to 2.1%, before expanding steadily at 2.4% and 2.3% in 2027 and 2028, remaining above the EU average. Employment growth is set to continue but to remain below 1% over the forecast horizon, with the unemployment rate staying at historically low levels. Inflation is expected to stay elevated at 4.2% in 2026, before easing to 2.6% in 2028, as services and energy inflation decreases. The general government deficit is expected to remain close to 3% for the forecast horizon, while the decline in the debt to GDP ratio is foreseen to stop.

Economic growth to moderate in 2026 and pick up thereafter

Croatia's real GDP growth is forecast to moderate from 3.5% in 2025 to 2.1% in 2026, before picking up to 2.4% in 2027 and maintaining a similar, albeit marginally lower, pace in 2028. Growth is expected to remain above the EU average throughout the forecast horizon, driven mainly by domestic demand, while the negative contribution of net exports is projected to diminish.

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



Private consumption growth is expected to moderate in 2026, despite continued growth in real wages and employment, as households remain cautious about spending decisions due to persistent price pressures. Investment growth is expected to slow markedly, as rising costs, tighter financing conditions and heightened uncertainty weigh on firms' investment decisions. The absorption of EU funds, particularly during the final phase of RRF implementation, is expected to provide some support to investment. Goods exports are forecast to expand steadily, albeit at a slower pace than in 2025, supported by demand from the main trading partners. By contrast, following two years of contraction, services exports are projected to grow modestly, as persistent price and cost competitiveness pressures, particularly in tourism, continue to constrain growth. Tourism activity in 2026 has remained comparable to 2025 but is less buoyant than during the post-pandemic recovery. Import growth is expected to moderate, reflecting slower domestic demand growth. As a result, net exports are projected to make a negative contribution to GDP growth in 2026, though less than in 2025. In 2027 and 2028, economic activity is expected to expand steadily at 2.4% and 2.3%, respectively. Private consumption is set to grow above 2% in both years, in line with real disposable income growth. Investment growth is expected to rise in 2027, on the back of stronger activity in the second half of 2026, and to remain solid in 2028, as cost pressures ease, while the phase out of the RRF is expected to be partly offset by a pick-up in the absorption of other EU funds. Favourable external demand is set to support stronger growth in goods and services exports. Imports are forecast to continue to grow in line with domestic demand. The negative contribution of net exports to GDP growth is expected to diminish further. The current account deficit is projected to widen to 5.2% of GDP in 2027 and remain stable in 2028, reflecting a persistent goods trade deficit partly offset by the services surplus. Net current and capital transfers are expected to continue supporting Croatia's external position, although their contribution is set to edge down gradually over the forecast horizon.

Contained employment growth and weakening wage pressures

Employment growth is set to continue but to remain below 1% over the forecast horizon as economic activity moderates. Labour shortages, which remained elevated in recent years, are expected to ease, due to lower labour demand and continued inflows of non-EU workers. At the

same time, wage pressures are set to abate gradually, in line with the expected softening of the labour market conditions. The unemployment rate is projected to remain at historically low level, at 4.7% in 2026 and 4.6% in 2027 and 2028, mirroring still relatively tight labour market conditions.

Inflation to moderate despite energy price increases

Headline inflation is projected to stay elevated at 4.2% in 2026, down from 4.4% in 2025. Energy inflation is expected to offset the reduction in food inflation, as well as the falling prices for non-energy industrial goods and the gradual easing of services inflation. As of 2027, energy and services inflation are expected to decelerate due to lower energy commodity prices and moderating wage pressures, with overall inflation set to decline to 3.0% in 2027 and 2.6% in 2028. Nevertheless, energy inflation is expected to remain above headline inflation levels as government energy support measures expire in April 2027 and ETS2 becomes operational in 2028. Headline inflation excluding energy and food is projected to decline from 3.5% in 2026 to 2.5% by the end of the forecast period, reflecting moderating wage growth and easing domestic demand pressures.

Government deficit remains high and debt adjustment to stop by end of the forecast period

In 2026, the deficit is forecast to decrease to 2.8% of GDP. Revenue is supported by solid GDP growth and high employment levels. Public investments continue to grow, supported by the RRF. Social assistance expenditure is expected remain high following the recent increase due to pension reforms aimed at improving pension adequacy. Defence spending and energy measures are also expected to contribute to high levels of public expenditure. The deficit is expected to remain at 2.8% of GDP in 2027, as the growth of expenditure with wages and social assistance remain high. Public investment is set to decrease, due to a reduction in EU funded investment (driven by the end of the RRF, partially compensated by a pick-up in EU structural funds) and a decrease in nationally financed investment. In 2028 deficit is expected to reach 2.9% of GDP as expenditure growth outpaces revenue collection.

The debt-to-GDP ratio is forecast to remain at 55.7% in 2026, as debt-increasing stock-flow adjustments compensate the debt ratio decline due to the denominator effect. It is then expected to decline to 55.5% in 2027 and 2028.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		94.0	100.0	1.3	3.8	3.9	3.5	**2.1**	**2.4**	**2.3**
Private Consumption		52.8	56.2	1.1	3.3	6.2	3.0	**2.1**	**2.3**	**2.4**
Public Consumption		22.6	24.0	1.7	6.9	7.0	4.2	**2.6**	**2.0**	**2.0**
Gross fixed capital formation		22.2	23.6	0.6	19.2	-2.9	10.1	**1.8**	**3.1**	**2.8**
Exports (goods and services)		45.1	48.0	4.1	-1.4	1.6	1.8	**2.1**	**2.6**	**2.7**
Imports (goods and services)		50.3	53.5	3.5	-4.0	8.1	4.0	**2.4**	**2.6**	**2.6**
GNI (GDP deflator)		90.4	96.1	1.3	4.3	4.6	2.2	**2.3**	**2.6**	**2.5**
Contribution to GDP growth:	Domestic demand			1.2	7.5	4.2	4.9	**2.2**	**2.5**	**2.5**
	Inventories			0.1	-5.4	3.3	-0.1	**0.1**	**0.0**	**0.0**
	Net exports			0.2	1.8	-3.6	-1.3	**-0.3**	**-0.2**	**-0.1**
Employment				-0.2	1.9	4.6	0.7	**0.9**	**0.6**	**0.6**
Unemployment rate (a)				11.3	6.1	5.0	4.9	**4.7**	**4.6**	**4.6**
Compensation of employees / head				2.6	13.5	11.6	9.6	**7.7**	**5.7**	**4.8**
Unit labour costs whole economy				1.1	11.4	12.4	6.6	**6.5**	**3.9**	**3.1**
Saving rate of households (b)				9.2	5.9	9.2	10.9	**11.3**	**11.3**	**11.2**
GDP deflator				2.1	12.8	5.2	4.1	**4.5**	**3.0**	**2.7**
Harmonised index of consumer prices				2.2	8.4	4.0	4.4	**4.2**	**3.0**	**2.6**
Terms of trade goods				-0.5	1.8	0.2	-1.3	**-0.9**	**-0.8**	**0.1**
Trade balance (goods) (c)				-17.6	-22.0	-21.8	-21.0	**-21.0**	**-21.0**	**-20.6**
Current-account balance (c)				-1.3	-0.5	-2.9	-4.7	**-4.6**	**-5.2**	**-5.2**
General government balance (c)				-3.5	-1.2	-2.5	-3.0	**-2.8**	**-2.8**	**-2.9**
Fiscal stance (c)				:	-2.4	-2.0	-1.6	**-0.2**	**1.0**	**1.1**
Structural budget balance (d)				-1.9	-2.5	-3.6	-3.9	**-3.1**	**-2.8**	**-2.7**
General government gross debt (c)				68.1	60.5	56.5	55.7	**55.7**	**55.5**	**55.5**

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

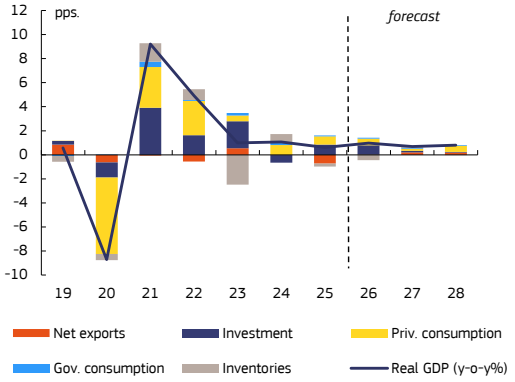
10. ITALY

Real GDP growth is forecast to slow in 2027-28, after reaching 1% in 2026, as private consumption is held back by renewed inflationary pressures and investment decelerates. After increasing on the back of higher energy prices, inflation is expected to subside only gradually in 2027. Government deficit is set to fall from 3.1% of GDP in 2025 to 2.9% in 2026. Over 2027-28, extra expenditure on defence and energy security measures will push the deficit up again. Italy has recently activated the National Escape Clause. The combined effect of a reduction in the primary surplus and rising interest expenditure prevents a clear downward trend in the debt-to-GDP ratio, which is projected to peak in 2027 and decrease to 138.2% by 2028.

Domestic demand holds up, driven by investment

Real GDP growth picked up in the first half of 2026 but slowed in the third quarter, and is overall forecast at 1.0% for 2026. Private consumption is expected to decelerate as inflation weighs on disposable income, while investment continues to expand, sustained by RRF-funded public works. With goods imports expected to rise faster than exports and tourism-driven services exports outpacing imports, net trade is set to provide a neutral contribution to GDP growth.

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



In 2027, real GDP is forecast to increase by 0.7%, due to a more modest expansion in domestic demand. Household consumption is bound to be constrained by the persistent impact of higher energy prices. Although many firms maintain healthy balance sheets, less favourable financing conditions and uncertain economic prospects weigh on their investment decisions. Net exports are projected to make a positive contribution to growth on the back of more moderate import dynamics reflecting subdued domestic demand.

In 2028, real output growth is forecast to rise marginally to 0.8%. Household consumption growth, helped by recovering purchasing power, is expected to increase gradually. Net exports are projected to continue supporting growth, while investment is set to slow, due to weaker government support and higher interest rates.

Subdued growth in employment and real wages

Labour demand is expected to moderate after a prolonged expansion until mid-2026. However, self-employment is set to increase, supported by a more favourable tax regime. Further small rises in labour participation are anticipated to stabilise the unemployment rate. Wage growth in 2026 has been lagging behind inflation and is expected to allow recovering purchasing power only in 2028, as negotiated wages incorporate the impact of past inflation.

Inflation soars, fuelled by energy prices

Fluctuations in energy commodity prices are anticipated to drive inflation dynamics, despite the temporary measures to reduce excise fuel duties and support road transport and farming. In 2026, HICP is forecast to rise to 3.4%, receding slightly to 3.1% in 2027, along with the gradual pass-through to the prices of other products, and falling below 2% only in 2028.

Government deficit falling below 3% of GDP in 2026 but public debt increasing further

In 2026, the general government deficit is projected to narrow marginally to 2.9% of GDP, as the primary surplus rises to 1.2% of GDP and interest expenditure increases by 0.3 pps. of GDP,

reflecting rising yields, particularly on inflation-linked bonds. Tax revenues are set to stabilise as a share of GDP. The further cut to the personal income tax rate for middle-income earners and a temporary tax relief on selected wage components are fully compensated by increases in taxes for financial institutions and insurance companies. The temporary cuts in fuel excise duties restrain growth of indirect tax revenues. On the expenditure side, lower capital transfers for housing renovations are offset by rising public investment, also strengthened by RRF funds, while current primary expenditure remains stable as a share of GDP.

In 2027, the deficit is forecast to increase to 3.5% of GDP, with the primary surplus declining to 0.8% of GDP. The lagged effects of higher inflation are expected to lift current expenditure, particularly on pensions. Budgetary measures underpinning the forecast include the extension of the 33% tax rate bracket on personal incomes up to EUR 55,000 from the current EUR 50,000 and the increase of the turnover threshold of the flat-tax regime for the self-employed to EUR 100,000 from EUR 85,000. They also include the waiver of the annual tax on motor vehicles, the extension to 2027 of the tax relief on wage increases and overtime pay for low- and middle-income earners, and tax credits for the Special Economic Zone. On the expenditure side, the budget increases funding for healthcare, infrastructure, defence and energy security, as well as subsidies to households, employment and business investment. Offsetting measures raise the tax burden through higher levies on the financial, energy and gambling sectors and an increase in the financial transaction tax. Expenditure savings include an adjustment to the pension indexation for 2027 and cuts to spending by ministries. Higher yields on new bond issuances push interest payments up by 0.2 pps. to 4.4% of GDP.

The headline deficit is projected to decline to 3.2% of GDP in 2028, under a no-policy-change assumption. Interest expenditure is set to increase further to 4.6% of GDP. At the same time, capital expenditure is set to decline, following the high levels recorded in previous years.

The government debt-to-GDP ratio is set to decrease from the 2027 peak of 138.8% to 138.2% by the end of 2028. Interest-growth-rate differentials and large debt-increasing stock-flow adjustments related to the housing renovation tax credits which affected the deficit in previous years are expected to drive the increase in the government debt ratio in 2026-27, while projected primary surpluses remain limited.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		2265.0	100.0	0.2	1.0	1.1	0.6	**1.0**	**0.7**	**0.8**
Private Consumption		1307.6	57.7	-0.1	0.8	1.4	1.2	**1.0**	**0.3**	**0.9**
Public Consumption		409.1	18.1	-0.1	1.1	1.3	0.3	**0.3**	**0.5**	**0.4**
Gross fixed capital formation		498.3	22.0	0.0	10.3	-2.7	3.9	**3.5**	**0.6**	**0.3**
Exports (goods and services)		716.4	31.6	1.7	-0.4	-0.8	1.7	**3.4**	**2.9**	**2.4**
Imports (goods and services)		684.0	30.2	1.2	-1.9	-0.7	4.2	**3.6**	**2.4**	**1.9**
GNI (GDP deflator)		2265.9	100.0	0.2	-0.4	1.3	0.8	**1.1**	**0.7**	**0.8**
Contribution to GDP growth:		Domestic demand		0.0	2.9	0.4	1.6	**1.4**	**0.4**	**0.6**
		Inventories		0.1	-2.5	0.7	-0.3	**-0.4**	**0.1**	**0.0**
		Net exports		0.2	0.5	0.0	-0.7	**0.0**	**0.2**	**0.2**
Employment				0.2	2.1	1.7	1.1	**0.9**	**0.4**	**0.4**
Unemployment rate (a)				9.8	7.7	6.5	6.1	**5.9**	**5.8**	**5.8**
Compensation of employees / head				1.2	2.7	3.3	3.0	**2.7**	**2.8**	**2.9**
Unit labour costs whole economy				1.2	3.8	3.9	3.5	**2.7**	**2.5**	**2.4**
Saving rate of households (b)				12.6	11.3	11.1	10.8	**10.1**	**10.6**	**10.8**
GDP deflator				1.4	6.1	2.1	1.8	**1.9**	**2.3**	**2.0**
Harmonised index of consumer prices				1.8	5.9	1.1	1.6	**3.4**	**3.1**	**1.8**
Terms of trade goods				-0.6	10.9	2.3	1.4	**-3.5**	**-0.9**	**1.1**
Trade balance (goods) (c)				1.4	1.4	2.1	1.8	**0.9**	**0.9**	**1.4**
Current-account balance (c)				0.3	-0.1	0.8	0.6	**-0.1**	**-0.2**	**0.3**
General government balance (c)				-3.9	-7.1	-3.4	-3.1	**-2.9**	**-3.5**	**-3.2**
Fiscal stance (c)				:	-0.1	3.1	0.3	**0.3**	**0.2**	**0.7**
Structural budget balance (d)				-3.2	-8.2	-4.1	-3.6	**-3.2**	**-3.6**	**-3.3**
General government gross debt (c)				129.3	134.0	134.3	136.7	**137.9**	**138.8**	**138.2**

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

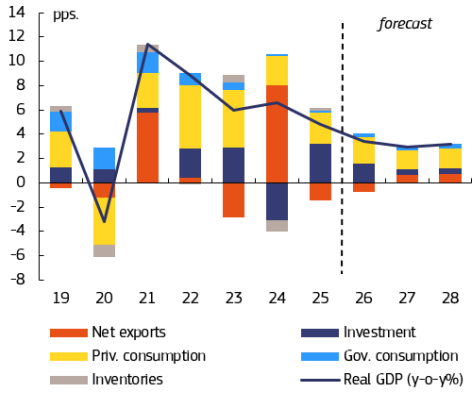
11. CYPRUS

Cyprus's economic outlook remains robust, despite rising energy prices, which are expected to temporarily weigh on growth. Lagged wage adjustments are set to strengthen consumption. Tourism inflows, which were affected in the early stages of the conflict in the Middle East, are projected to fully recover in 2027. Nevertheless, the current-account deficit is forecast to remain wide, notably reflecting the repatriation of profits from foreign-owned corporates. Healthy public finances have given the government room for an expansionary personal income tax reform and for financial relief measures against the impact of rising energy prices. Fiscal surpluses are expected to remain high and will contribute to the fast decline of government debt, which had fallen below the 60% threshold by the end of 2025 after peaking at 114% in 2020.

Growth to slow but recover quickly, amid ample buffers

In the first half of 2026 real GDP growth reached 3.2%, driven by private consumption and construction activity. Service exports in ICT and royalties continued to expand, while tourism receipts initially declined amid conflict-related uncertainty. Higher ship registrations associated with certain trade routes distorted the external balance and investment growth figures, but this is expected to normalise during the year.

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



Real GDP is projected to grow by 3.4% in 2026, 3.0% in 2027 and 3.2% in 2028. The energy price shock is expected to temporarily slow growth, weighing on private consumption, as higher imported inflation is expected to erode disposable incomes. In the course of 2027, easing inflation combined with lagged wage adjustments through automatic indexation are projected to support disposable incomes and consumption. Investment excluding ship registrations is expected to slow this year as higher costs delay investment decisions, before recovering over the course of 2027, supported by a solid outlook for construction activity. The net exports of services are forecast to return to its pre-conflict average as tourist arrivals recover in 2027. The relocation of export-oriented foreign corporates to Cyprus is expected to slow down, while companies in export-oriented sectors, notably ICT, become more established domestically and expand their export markets. The temporary reduction in the trade surplus due to the oil price shock and the continued increase in profit repatriation by foreign-owned corporates are set to weigh on the external balance. As a result, the current-account deficit is projected to remain wide at 8.4% GDP in 2028.

Risks to the outlook remain tilted to the downside. Global trade disruptions pose risks to Cyprus's shipping sector outlook, while tourism arrivals are sensitive to geopolitical developments in the region. The sizeable import dependence, especially on energy goods, increases the country's vulnerability to external shocks.

Energy price surge to propel inflation amid a solid labour market

Headline inflation is projected to rise to 3.9% in 2026, before easing to 2.9% in 2027 and 2.4% in 2028. The surge in oil prices has raised energy costs, although VAT and excise duty reductions have cushioned the impact. Food inflation, which is sensitive to energy and transport costs, is also projected to increase.

Labour market conditions remain robust, as shown by high employment and a historically low unemployment rate, projected at 3.7% in 2028. Rising household spending amid subdued wage

adjustment is projected to temporarily weigh on household savings in 2026, before a pronounced increase later as incomes recover. Real wage growth is expected to accelerate in 2027 as salaries adjust through the automatic cost-of-living adjustment mechanism. However, this is set to raise unit labour costs in the short-term.

Fiscal surpluses persist despite tax reform and energy support measures

In 2025, the general government balance of Cyprus recorded a sizeable surplus of 3.6% of GDP, even though government expenditure grew more strongly than revenue. In 2026, the fiscal surplus is projected to remain at 2.9% of GDP, despite a general tax reform that reduced revenue by 0.7% of GDP and measures to mitigate the impact of high energy prices amounting to 0.4% of GDP.

In 2027 and 2028, the budget surplus is projected at 3.2% and 3.3% of GDP, benefiting from the overall positive economic and labour market situation. Government expenditure in 2027 will be affected by the automatic indexation of wages to the cost of living, which takes full effect for the first time following its gradual introduction. On the revenue side, measures against the impact of high energy prices will continue to have a dampening effect on VAT and excise duties collection. Other financial support measures are targeted at families or farmers with livestock affected by foot-and-mouth disease. Additional defence spending financed through Security Action for Europe (SAFE) loans is expected to start to show its effect in 2027 and more markedly in 2028.

Government debt is projected to continue its downward trend. After its peak in 2020, the debt-to-GDP ratio dropped by more than 60 pps. within five years to 52.3% at the end of 2025, thus falling below the 60% threshold for the first time since 2009. This significant decrease in government debt is set to continue, with the debt level projected at 46.3% in 2026, 40.6% in 2027 and 35.1% in 2028.

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

	2025			Annual percentage change					
	mio EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		38314.1	100.0	2.5	6.0	6.6	4.8	**3.4**	**3.0**	**3.2**
Private Consumption		21364.9	55.8	2.2	8.2	4.3	4.6	**4.0**	**2.8**	**3.0**
Public Consumption		6667.7	17.4	2.8	3.6	0.7	1.1	**2.1**	**1.6**	**1.9**
Gross fixed capital formation		7521.0	19.6	1.2	14.3	-14.3	18.7	**7.9**	**2.0**	**2.4**
Exports (goods and services)		38063.3	99.3	7.2	-1.7	16.1	2.3	**3.0**	**2.7**	**2.5**
Imports (goods and services)		35347.2	92.3	6.6	1.1	7.8	4.0	**4.0**	**2.1**	**1.9**
GNI (GDP deflator)		32837.7	85.7	3.1	5.2	2.6	3.9	**3.6**	**3.2**	**3.2**
Contribution to GDP growth:	Domestic demand			2.2	8.3	-0.4	5.9	**4.1**	**2.3**	**2.5**
	Inventories			0.1	0.6	-0.9	0.3	**0.0**	**0.0**	**0.0**
	Net exports			0.4	-2.9	8.0	-1.4	**-0.7**	**0.7**	**0.7**
Employment				1.6	2.9	2.3	1.7	**1.7**	**0.8**	**1.1**
Unemployment rate (a)				9.2	5.8	4.8	4.4	**3.8**	**3.8**	**3.7**
Compensation of employees / head				1.6	9.4	6.2	5.1	**3.8**	**5.1**	**3.5**
Unit labour costs whole economy				0.7	6.2	1.9	1.9	**2.1**	**2.9**	**1.4**
Saving rate of households (b)				5.8	4.9	6.8	8.1	**6.3**	**7.6**	**8.2**
GDP deflator				1.4	5.3	2.7	0.7	**2.9**	**2.7**	**2.4**
Harmonised index of consumer prices				1.5	3.9	2.3	0.8	**3.9**	**2.9**	**2.4**
Terms of trade goods				0.3	0.4	-0.1	0.6	**-1.2**	**0.4**	**0.6**
Trade balance (goods) (c)				-21.3	-22.2	-16.3	-19.0	**-19.9**	**-19.7**	**-19.2**
Current-account balance (c)				-7.3	-9.5	-5.3	-8.6	**-10.3**	**-9.5**	**-8.4**
General government balance (c)				-3.0	1.7	4.0	3.6	**2.9**	**3.2**	**3.3**
Fiscal stance (c)				:	-1.5	2.0	-1.1	**-0.4**	**2.1**	**1.1**
Structural budget balance (d)				1.3	0.3	2.0	1.7	**1.7**	**2.7**	**3.1**
General government gross debt (c)				87.2	69.6	60.1	52.3	**46.3**	**40.6**	**35.1**

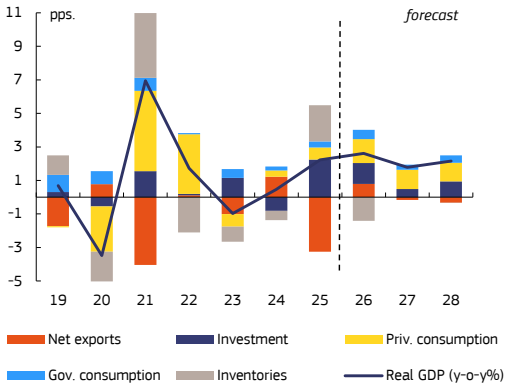
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

12. LATVIA

Following a return to growth in 2025, Latvia's economy is expected to continue expanding despite heightened geopolitical uncertainty and rising energy prices. Real GDP is forecast to grow by 2.6% in 2026, before moderating to 1.8% in 2027 and picking up to 2.2% in 2028. Inflation is set to remain elevated at 3.2% in 2026 and 3.6% in 2027, before easing to 2.9% in 2028. The general government deficit is forecast to steadily increase and reach 5.4% of GDP in 2028, mainly due to defence expenditure, as well as interest payments and social benefits.

Growth set to continue in Latvia through 2028

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



Latvia's economy recorded stronger-than-expected GDP growth of over 3% y-o-y in the first half of 2026, underpinned by solid growth in domestic demand, notably investment, and a positive contribution from net exports. Real GDP growth is set to remain robust in 2026, at 2.6%, before easing to 1.8% in 2027 and picking up to 2.2% in 2028. Private consumption is forecast to grow by 2.5% in 2026, supported by solid real wage growth. In 2027 and 2028, it is projected to moderate, as elevated inflation weighs on households' purchasing power. Over the forecast horizon, public consumption is set to grow more slowly than GDP, reflecting restrained spending on the public administration. Private and public investment are forecast to grow at 5.2% in 2026, driven by strong construction activity, investment in machinery and equipment, alongside investment in defence. In 2027, public investment growth is projected to slow down but remain high, reflecting the phase-out of RRF support, before accelerating again in 2028 due to planned large military investments and equipment deliveries, and a modest expected pick up in spending on Rail Baltica project. Stronger lending growth to households and firms is set to support private investment in the near term, while housing construction is expected to benefit from an improving supply pipeline and rising building permits. However, higher interest rates and elevated uncertainty are likely to moderate investment gradually over 2027–28.

Exports of goods and services are projected to grow steadily over the forecast horizon supported by demand growth in Latvia's export markets in Northern Europe, notably for wood products, construction materials, food, machinery, vehicles, other transport equipment, electrical and electronic products. Imports are expected to grow in line with final demand. The current account balance is set to decrease in 2026, reflecting an increase in prices of energy imports, in particular of diesel fuel and natural gas used for power and heat generation, before increasing gradually as energy prices normalise.

Labour market to remain stable

As the economy continues growing, the unemployment rate is projected to decline from 6.9% in 2025 to 6.7% in 2028. Still, employment is set to decrease gradually, reflecting the broader trend of a shrinking working-age population. Nominal compensation per employee is expected to continue growing by around 6% each year, reflecting persistent labour and skills shortages across sectors, alongside geographical and occupational mismatches. Moderate increases in the statutory minimum wage are also expected to support wage growth.

Elevated inflation due to higher energy prices

HICP inflation is projected to remain elevated at 3.2% in 2026 and increase to 3.6% in 2027, mainly driven by energy inflation. In 2026, the rise in inflation is mitigated by temporary lower excise duties on motor fuels, as well as the temporary reduction in VAT on selected food products. In 2028, the introduction of the ETS2 is expected to slow the disinflation process, with HICP inflation decelerating only moderately to 2.9%. Services inflation is forecast to remain above headline inflation throughout the forecast horizon, driven by solid wage growth.

Government deficit set to increase

In 2026, the government deficit is forecast to increase to 2.9% of GDP, up from 2.5% of GDP in 2025, due to revenue and expenditure factors. Lower revenue from income tax and indirect taxes, together with moderate property income, is forecast to weigh on overall revenue growth. Higher government expenditure reflects higher investment on defence, increasing interest costs, and continued growth in social benefits, largely due to pension indexation and a rising number of pension recipients.

In 2027, the government deficit is forecast to rise to 4.4% of GDP, mostly driven by the continued broad-based increase in defence expenditure, alongside persistent growth in social transfers and interest expenditure. At the same time, the effects of the 2025 personal income tax reform, mainly via the introduction of a uniform tax-free income allowance and higher tax-free income allowance for pensioners, together with lower interest revenue and lower property income due to reduced dividends from state-owned companies in the energy and wood sector, is expected to weigh on revenues.

In 2028, the government deficit is forecast to rise further to 5.4% of GDP, mainly due to the continued delivery of military investments and increasing social transfers, alongside lower indirect tax revenue and a declining contribution of property revenue.

The debt-to-GDP ratio reached 46.2% in 2025 and is forecast to increase to 51.9% by 2028, due to high budget deficits and the pre-financing of upcoming debt redemptions.

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

	2025			Annual percentage change					
	mio EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		43648.5	100.0	1.2	-1.0	0.5	2.2	**2.6**	**1.8**	**2.2**
Private Consumption		25291.0	57.9	1.2	-1.2	0.6	1.2	**2.5**	**2.0**	**1.9**
Public Consumption		9336.9	21.4	1.1	2.5	1.2	1.7	**2.6**	**1.4**	**2.1**
Gross fixed capital formation		10491.2	24.0	-0.9	5.0	-3.4	9.9	**5.2**	**2.0**	**4.0**
Exports (goods and services)		26484.0	60.7	4.8	-7.6	0.1	1.8	**4.2**	**3.3**	**3.3**
Imports (goods and services)		28926.0	66.3	3.2	-5.7	-1.7	6.8	**2.7**	**3.2**	**3.5**
GNI (GDP deflator)		43233.6	99.0	1.2	-1.6	0.8	3.4	**2.6**	**1.8**	**2.2**
Contribution to GDP growth:		Domestic demand		1.0	0.9	-0.2	3.3	**3.2**	**1.9**	**2.5**
		Inventories		0.0	-0.9	-0.5	2.2	**-1.4**	**0.0**	**0.0**
		Net exports		0.4	-1.0	1.2	-3.3	**0.8**	**-0.2**	**-0.3**
Employment				-0.8	1.8	-0.8	0.2	**0.1**	**-0.1**	**-0.2**
Unemployment rate (a)				10.6	6.5	6.9	6.9	**6.9**	**6.8**	**6.7**
Compensation of employees / head				6.9	5.8	6.7	5.6	**6.1**	**6.1**	**6.1**
Unit labour costs whole economy				4.8	8.7	5.4	3.5	**3.6**	**4.2**	**3.7**
Saving rate of households (b)				4.7	-2.4	4.3	4.5	**4.8**	**5.5**	**6.2**
GDP deflator				3.9	10.7	3.7	3.9	**3.5**	**3.7**	**3.2**
Harmonised index of consumer prices				3.9	9.1	1.3	3.8	**3.2**	**3.6**	**2.9**
Terms of trade goods				1.0	1.8	1.0	0.8	**-3.4**	**0.8**	**1.2**
Trade balance (goods) (c)				-11.8	-10.4	-8.5	-9.8	**-11.1**	**-10.7**	**-10.1**
Current-account balance (c)				-2.8	-5.6	-3.4	-5.2	**-6.2**	**-5.6**	**-5.0**
General government balance (c)				-3.2	-2.2	-1.8	-2.5	**-2.9**	**-4.4**	**-5.4**
Fiscal stance (c)				:	0.6	0.1	-0.7	**-0.8**	**-0.1**	**-1.0**
Structural budget balance (d)				-2.6	-1.9	-1.3	-2.3	**-3.1**	**-4.5**	**-5.7**
General government gross debt (c)				38.8	44.5	45.7	46.2	**46.8**	**50.9**	**51.9**

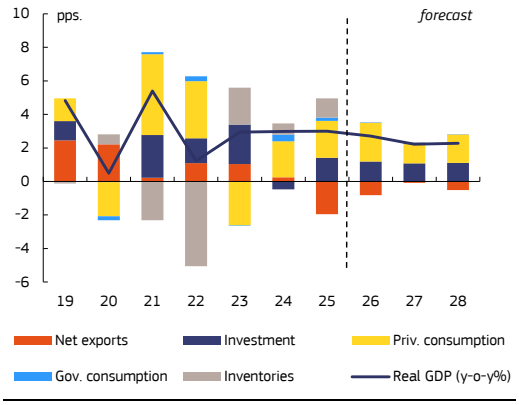
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

13. LITHUANIA

Lithuania's economy is expected to continue growing, supported by private consumption as real wages increase and second pillar pension savings are released. Real GDP is projected to grow by 2.7% in 2026, before easing to 2.2% in 2027 and 2.3% in 2028. Despite geopolitical uncertainty, investment is set to grow strongly driven by increased public investment. Inflation is expected to rise to 5.1% in 2026, driven by energy and services prices. It is forecast to ease to 3.3% in 2027 and 2.9% in 2028 as energy prices and wage growth moderate. The general government deficit is projected to gradually increase, from 1.8% in 2025 to 5.1% in 2028, reflecting higher defence and social spending, public investment and interest payments.

Economic growth is set to continue

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



In 2026, private consumption is forecast to be the main driver of GDP growth, expanding by 4.3% due to strong real wage growth and to a change in the pension system. The change, which makes the second pillar pension voluntary and allows the withdrawal of accumulated funds, is set to boost private consumption temporarily. While real wages continue to grow in 2027 and 2028, consumption growth is projected to slow down to 2.1% in 2027 and, in 2028, return to medium-term average at 3.1%. Investment is projected to increase by 5.5% in 2026 and by 4.9% in 2027 and 2028, driven by increased public investment, including in defence and some public projects, e.g. Rail Baltica. In 2026, export growth is expected to be stronger than in 2025. This is primarily due to strong performance of exports in services (especially transportation services). High demand from the main trading partners, namely other EU countries, drove the buoyant growth of services exports in the first two quarters. Total export growth is projected at 6.0% in 2026, followed by 2.9% in 2027 and 2028. At the same time, imports are expected to continue to outpace exports, reflecting strong domestic demand. Net exports are therefore projected to provide a negative contribution to GDP growth: -0.8 pps. in 2026, -0.1 pps. in 2027, and -0.5 pps. in 2028. Overall, real GDP is projected at 2.7% in 2026, decreasing at 2.2% in 2027 and 2.3% in 2028.

Labour market set to gradually tighten

High labour demand due to strong economic growth is forecast to reduce the unemployment rate from 6.9% in 2025 to 6.7% in 2026. While economic growth is set to slow down in 2027 and 2028, moderating labour demand, the labour force is projected to contract as the population aged 15-65 declines by between 0.2% and 0.3% annually. As a result, the overall unemployment rate is expected to stabilise in 2027 and 2028. The 11.1% increase in minimum wages in 2026, followed by an expected 8% rise in 2027, combined with persistent labour shortages and skills mismatches, is expected to support nominal wage growth, which is projected at 8.5% in 2026, 6.9% in 2027 and 6.3% in 2028.

Inflation expected to rise mainly due to energy price developments

HICP inflation is projected to increase to 5.1% in 2026, up from 3.4% in 2025, following the surge in energy prices but also the abolition of VAT concessions for heating. Energy inflation is expected to decline to more moderate levels in 2027, while in 2028, the implementation of ETS2 is set to put upward pressure on prices. The introduction of a 10% security contribution levy on non-life insurance premia in 2026 to fund defence spending has also led to price increases in many

economic sectors. Food prices are expected to increase moderately driven by higher fuel and fertilisers costs. Reflecting high but moderating wage growth, services prices are projected to increase by 6.6% in 2026, before slowing down to 5.1% in 2027 and 4.6% in 2028. Overall HICP inflation is expected to be 3.3% in 2027 and 2.9% in 2028.

General government deficit set to increase

In 2026, the general government deficit is projected to increase to 3.5% of GDP, from 1.8% in 2025. Nationally financed expenditure is expected to rise by 2.3 pps. of GDP, while revenue increases by 0.7 pps. The widening deficit reflects higher public investment, intermediate consumption, social benefits (including old-age pensions) and interest expenditure. Defence spending is projected to increase to 3.7% of GDP (from 2.7% in 2025). Revenue growth in 2026 is mainly driven by higher tax receipts, supported by increased corporate income tax rates; a new levy on non-life insurance premiums; the removal of reduced VAT rates for heating, hot water and firewood; higher excise duties on fuels and alcoholic beverages; and a new excise duty on sweetened drinks. Higher non-tax revenue, including sales, also makes a moderate contribution.

In 2027, the deficit is projected at 4.3% of GDP, as nationally financed expenditure increases by 1.4 pps. of GDP, outpacing revenue growth of 0.1 pps. Higher intermediate consumption and social benefits, alongside an increase in interest expenditure are the main contributors. Nationally financed public investment is also expected to increase slightly, while lower other current transfers partly offset these pressures. Defence expenditure is projected to reach 4.1% of GDP. Revenue growth in 2027 is driven by increases in direct tax receipts (partly reflecting greater personal income tax progressivity and higher commercial property tax rates) and social contributions.

The deficit is forecast to increase further to 5.1% of GDP in 2028, driven by the expenditure side. This is due to additional defence spending, reaching up to 4.5% of GDP, higher social benefits, interest payments and the public wage bill. Lower non-defence investment and intermediate consumption are projected to partly offset the spending pressures.

Public debt is projected to increase to 43.8% of GDP in 2026, 48.5% in 2027 and 51.5% in 2028. The increase is driven by widening deficits and substantial stock-flow adjustments. These adjustments mainly reflect social security fund surpluses accumulated as financial assets rather than used for debt repayments, and the pre-financing of defence expenditure.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		85.1	100.0	2.7	2.9	3.0	3.0	**2.7**	**2.2**	**2.3**
Private Consumption		45.9	54.0	2.1	-4.4	4.0	4.1	**4.3**	**2.1**	**3.1**
Public Consumption		16.5	19.4	0.0	-0.1	2.3	1.1	**0.1**	**0.4**	**0.0**
Gross fixed capital formation		18.6	21.9	2.9	10.4	-2.1	6.6	**5.5**	**4.9**	**4.9**
Exports (goods and services)		60.7	71.3	6.8	-3.5	2.7	5.1	**6.0**	**2.9**	**2.9**
Imports (goods and services)		58.3	68.5	5.3	-4.5	2.4	8.2	**7.5**	**3.1**	**3.7**
GNI (GDP deflator)		81.9	96.2	2.5	4.1	3.6	1.6	**2.9**	**2.3**	**2.0**
Contribution to GDP growth:		Domestic demand		2.0	-0.3	2.1	3.8	**3.5**	**2.3**	**2.8**
		Inventories		-0.1	2.2	0.7	1.1	**0.0**	**0.0**	**0.0**
		Net exports		0.9	1.0	0.3	-2.0	**-0.8**	**-0.1**	**-0.5**
Employment				0.2	1.4	1.5	-0.7	**0.0**	**-0.2**	**-0.2**
Unemployment rate (a)				9.5	6.9	7.1	6.9	**6.7**	**6.7**	**6.7**
Compensation of employees / head				6.7	12.0	7.9	10.0	**8.5**	**6.9**	**6.3**
Unit labour costs whole economy				4.1	10.3	6.4	6.0	**5.6**	**4.3**	**3.8**
Saving rate of households (b)				1.9	7.1	8.6	11.1	**9.9**	**10.4**	**10.6**
GDP deflator				3.7	11.9	2.6	3.6	**5.3**	**3.9**	**3.4**
Harmonised index of consumer prices				3.9	8.7	0.9	3.4	**5.1**	**3.3**	**2.9**
Terms of trade goods				-0.8	5.1	2.9	1.5	**0.1**	**0.5**	**0.3**
Trade balance (goods) (c)				-6.4	-7.7	-7.2	-9.0	**-10.0**	**-9.5**	**-9.5**
Current-account balance (c)				-1.7	-0.8	1.6	-0.8	**-1.5**	**-1.4**	**-1.9**
General government balance (c)				-2.6	-0.7	-1.3	-1.8	**-3.5**	**-4.3**	**-5.1**
Fiscal stance (c)				:	0.8	-1.4	-1.4	**-2.0**	**0.0**	**-0.4**
Structural budget balance (d)				-1.7	-0.3	-0.8	-1.6	**-3.5**	**-4.3**	**-5.1**
General government gross debt (c)				35.6	36.7	37.8	39.3	**43.8**	**48.5**	**51.5**

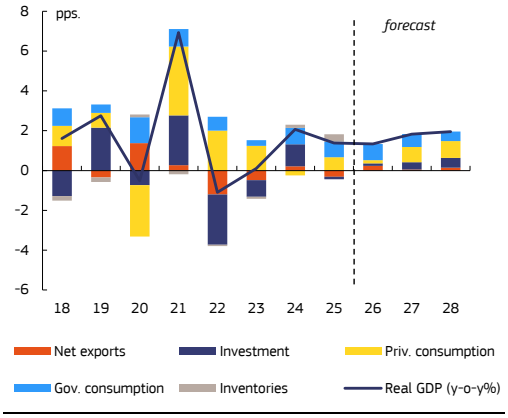
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

14. LUXEMBOURG

Real GDP growth in Luxembourg is projected to moderate to 1.3% in 2026, held back by weaker private consumption, that more than offsets the continued expansion in government consumption. Growth is expected to accelerate to 1.8% in 2027 and to 2.0% in 2028, benefiting from government measures and tax cuts which are forecast to stimulate private spending. Meanwhile, rising interest rates are set to weigh on exports of services. After accelerating in 2026 driven by surging energy prices, headline inflation is set to decrease in 2027, before slowing down to below 2% in 2028. The government deficit is expected to decline to 1.0% of GDP in 2027, driven by buoyant income tax revenues, before widening in 2028 following the personal income tax reform.

Growth is set to weaken in 2026

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



After an expansion of 1.4% in 2025, real GDP grew by 0.3% in 2026-Q1 before contracting by 0.9% q-o-q 2026-Q2. Fixed investment fell after a rebound in 2026-Q1 and private consumption contracted also in 2026-Q2, held down by a more restrictive financing environment and the energy price shock. However, an automatic wage indexation that occurred in June, combined with government measures to improve disposable income, is expected to support private consumption during the second half of the year. Government consumption is expected to be the main contributor to GDP growth this year. Thanks to the exports of services offsetting the weak performance of goods exports, net exports are expected to provide a small positive contribution to growth this year. Overall, GDP is projected to grow by 1.3% in 2026.

In 2027 and 2028, economic growth is expected to accelerate, on the back of private consumption that is expected to benefit from an expansionary fiscal stance. Automatic wage indexations are forecast to further improve disposable income. Private investment in satellites and planes is set to contribute to a recovery in gross capital formation over 2027 and 2028. Despite being still below historical averages, confidence indicator is improving in the construction sector. However, tighter financing conditions are expected to hinder its recovery. Likewise, higher financing costs may affect investment fund activities. The contribution of net exports is expected to be modest over the forecast horizon.

Employment to pick up

Domestic employment growth is expected to increase to 1.6% in 2026 from 1.1% in 2025, before accelerating further to 1.8% 2027 and 1.9% in 2028. Still, resident unemployment rate is projected to increase to 6.9% in 2026, reflecting in part the increasing role of cross-border workers in overall employment growth. The unemployment rate is set to decrease to 6.7% in 2027, before edging down to 6.3% in 2028 as employment growth accelerates further.

Energy prices to fuel inflation in 2026

Headline inflation is set to increase to 3.7% in 2026, up from 2.5% in 2025, driven by surging energy prices. Additionally, wage increases based on indexation in June 2026 pushed services prices up in the second half of 2026. In 2027, inflation is projected to decelerate to 2.5% as inflation in energy and services moderates gradually. Inflation is then expected to moderate further in 2028, reaching 1.9%.

General government deficit declines before widening again

In 2026, the general government is projected to post a deficit of 1.1% of GDP, from 1.8% of GDP in 2025. In 2026, general government revenues are expected to increase at a faster pace than expenditure. In particular, revenues from personal income taxes are expected to benefit from the improvements in the labour market and the absence of adjustment to inflation of tax brackets. The increase in the social contribution rate from 24% to 25.5% is expected to drive up revenues. Indirect taxes, as a percentage of GDP, are set to decrease, reflecting a deceleration in private consumption and the impact of the government's measures aiming to mitigate the impact of high energy prices on households and enterprises. Higher tobacco excise duties are expected to only partially offset this decline. Windfall revenues from inheritance taxes contribute to the decrease in the general government deficit.

In 2027, the deficit is projected to decline to 1.0% of GDP. The projected improvement in the labour market and in the economic activity are expected to support personal and corporation income taxes revenues, partly offsetting the reduction of the standard corporate tax rate from 16% to 15%. Furthermore, the expected acceleration in private consumption combined with the increase of tobacco excises are set to support indirect taxes.

In 2028, despite the projected acceleration in economic activity, the deficit is set to widen to 1.7% of GDP, as a result of personal income tax reform, which is expected to reduce revenues by around 0.8% of GDP. Furthermore, the entering into force of the ETS2 system, which replaces the national carbon tax, is expected to temporarily reduce indirect taxes. This reflects the lag between the application of ETS2 and the collection of revenues, which is expected to begin only from 2029 onward. In turn, public investment is projected to remain high by recent standards over the forecast horizon, supporting the government's social, digital and green agenda.

The interest expenditure is expected to rise due to higher refinancing costs on newly issued debt, reaching 0.5% and 0.7% of GDP in 2026 and 2027, respectively. The debt-to-GDP ratio is projected to increase from 26.0% in 2025 to 29.3% in 2026, 29.6% in 2027 and to 30.5% of GDP in 2028, due to the persistent primary deficits and debt increasing stock-flow adjustments in relation to the social security fund.

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

	2025			Annual percentage change					
	mio EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		91342.3	100.0	2.2	0.1	2.1	1.4	**1.3**	**1.8**	**2.0**
Private Consumption		28867.6	31.6	2.6	3.8	-0.7	2.1	**0.5**	**2.4**	**2.7**
Public Consumption		17625.0	19.3	3.4	1.6	4.5	4.1	**4.2**	**3.3**	**2.4**
Gross fixed capital formation		14793.3	16.2	2.1	-5.1	6.9	-0.7	**0.8**	**2.3**	**3.1**
Exports (goods and services)		185142.4	202.7	3.7	0.6	0.6	-3.9	**0.5**	**2.5**	**2.4**
Imports (goods and services)		155793.2	170.6	4.3	0.9	0.6	-4.5	**0.4**	**2.9**	**2.8**
GNI (GDP deflator)		60584.9	66.3	1.1	4.9	0.3	0.9	**1.3**	**2.6**	**3.1**
Contribution to GDP growth:	Domestic demand			1.8	0.7	1.7	1.3	**1.1**	**1.8**	**1.8**
	Inventories			0.0	-0.1	0.2	0.4	**0.0**	**0.0**	**0.0**
	Net exports			0.3	-0.5	0.2	-0.3	**0.2**	**0.1**	**0.1**
Employment				2.9	1.9	1.0	1.1	**1.6**	**1.8**	**1.9**
Unemployment rate (a)				5.4	5.2	6.4	6.5	**6.9**	**6.7**	**6.3**
Compensation of employees / head				2.6	7.5	1.8	4.6	**3.1**	**2.7**	**2.1**
Unit labour costs whole economy				3.3	9.5	0.8	4.3	**3.3**	**2.7**	**2.0**
Saving rate of households (b)				14.1	13.0	14.3	18.1	**19.0**	**18.6**	**19.4**
GDP deflator				3.0	6.9	4.2	3.2	**3.8**	**2.7**	**2.2**
Harmonised index of consumer prices				2.2	2.9	2.3	2.5	**3.7**	**2.5**	**1.9**
Terms of trade goods				0.2	0.7	-1.9	1.4	**-2.0**	**1.2**	**0.8**
Trade balance (goods) (c)				2.0	1.7	1.5	1.3	**-0.1**	**0.8**	**1.1**
Current-account balance (c)				2.7	-0.7	-1.9	-3.0	**-2.9**	**-2.9**	**-2.8**
General government balance (c)				1.2	-0.7	0.6	-1.8	**-1.1**	**-1.0**	**-1.7**
Fiscal stance (c)				:	-1.9	0.3	-1.6	**-0.1**	**-0.5**	**-1.4**
Structural budget balance (d)				1.4	0.8	1.9	-0.4	**-0.2**	**0.3**	**-0.6**
General government gross debt (c)				20.0	24.7	25.9	26.0	**29.3**	**29.6**	**30.5**

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

15. MALTA

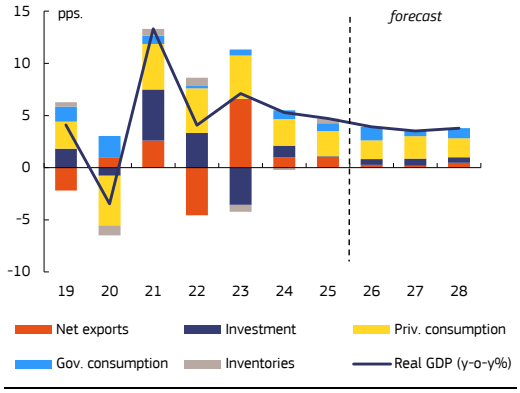
Malta's economy continued to perform strongly, driven by solid domestic demand and a growing tourism sector. The fiscal policy measures introduced by the government for 2027 are expected to boost private consumption expenditure, but also to reduce net exports and contribute to higher inflation. Real GDP growth is forecast at 3.9% in 2026, moderating to 3.5% in 2027 amid a challenging external environment, and rising to 3.8% in 2028. Inflation is forecast at 2.5% in 2026, and further increasing to 3.0% in 2027. The government energy subsidies are set to continue to mitigate the impact of higher international energy prices. Due to significant increases in government expenditure, the government deficit in 2026 is expected to increase to 2.8% of GDP and to remain at this level in 2027 and 2028. The debt-to-GDP ratio is projected to increase from 46.3% in 2025 to 47.2% by 2028.

The growth is expected to remain robust in a challenging environment

Malta recorded 4.7% real growth in 2025. In 2026 real GDP is projected to rise by 3.9%, underpinned by strong expansion in public consumption and robust private expenditures and investment. Global uncertainty does not seem to have materially affected Malta's growth so far.

The country's resilient services sectors are the main factors behind the solid economic performance, notably driven by strong growth in tourism, recreational, IT, financial and professional services. The contribution of net exports to growth remains positive, albeit smaller than in the previous year, supported by the substantial surplus in services trade that more than offsets the deficit in goods trade. Tourism activity is forecast to continue expanding in 2026 at a pace exceeding expectations.

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



In 2027, global headwinds, some expected moderation in labour migration, as well as the gradual maturation of some fast-growing services sectors are expected to slow real GDP growth to 3.5%. The fiscal policy measures introduced by the government for 2027 are expected to contribute to higher private consumption expenditure, lower net exports and higher inflation, with an overall neutral effect on real GDP growth. The increase in tourism taxes is expected to have a moderate negative impact on the growth of export services, while higher private consumption from fiscal measures is set to increase imports, overall reducing the growth contribution of net exports. Private consumption is projected to grow by 4.0% in 2026 to 4.8% in 2027, boosted by an annual tax-free payment by government of EUR 1,000 for eligible Maltese workers. It is expected to slow to 4.0% in 2028, benefiting from rising real wages. Government consumption growth is expected to accelerate to 7.5% in 2026, before moderating to 2.7% in 2027 and rebounding to 5.4% in 2028, providing continuous support to GDP growth. Following a 0.4% increase in 2025, investment is set to expand by 3.0% in 2026, 3.9% in 2027, and 3.0% in 2028, primarily driven by public investment.

Overall, growth in 2028 is expected to rebound slightly to 3.8% on the back of continued strong domestic demand and an improved contribution from net exports.

Strong employment growth reliant on foreign workers

Employment growth is forecast to increase to 4.2% in 2026 from 3.9% in 2025, still relying heavily on foreign workers. Labour force growth is set to moderate to 3.2% in both 2027 and 2028, in line with the evolution of economic activity, but also affected by expected increases in work permit fees that are set to slow the hiring of foreign workers. The unemployment rate is

forecast to remain low at 3.1%, reflecting the tight labour market with elevated vacancy rates. Nominal wage growth averaged 4.3% in 2025 and is expected to slow gradually to 3.9% in 2026, 3.0% in 2027, and 3.2% in 2028. It is projected to grow faster or at the same pace as inflation.

Energy support measures continue to keep inflation moderate

The steep rise in international fuel prices affects the Maltese economy indirectly through higher imported inflation, especially on transport, food and other services. The government subsidies keeping retail energy prices unchanged at low levels continue to compensate the direct impact of international shocks on domestic energy prices. However, the increase in work-permit fees for third-country nationals is expected to be partly passed through to higher consumer prices in 2027. Inflation is expected to edge up to 2.5% in 2026 after 2.4% in 2025. It is then projected to rise to 3.0% in 2027, before easing to 2.6% in 2028.

The deficit is expected to remain at slightly below 3%

The general government deficit is forecast to increase from 2.1% of GDP in 2025 to 2.8% of GDP in 2026. This reflects the combined effects of income tax cuts, phasing out of revenue from residency and citizenship schemes, and significant increases of government expenditure on energy subsidies due to the higher energy prices, as well as on higher intermediate consumption and compensation of employees.

The deficit is set to remain unchanged at 2.8% of GDP in 2027. Intermediate consumption and public sector wage growth are expected to remain significant, while other current expenditure is also projected to increase, partly reflecting a new EUR 1,000 annual bonus that the government will pay to workers. This increase is expected to be offset by higher revenues, notably from taxes on production and imports, reflecting higher tourism taxes and an increase in work permit fees for third country nationals. In 2028, under a no-policy-change assumption, the deficit is expected to remain at 2.8% of GDP, with the government expected to absorb the increase in fuel prices as a result of the coming into force of ETS2. The government's commitment to keep retail energy prices unchanged poses a significant uncertainty for the public finance projections. The public debt-to-GDP ratio is expected to increase steadily from 46.3% in 2025 to around 47.2% in 2028.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		24.7	100.0	5.2	7.1	5.3	4.7	**3.9**	**3.5**	**3.8**
Private Consumption		11.1	44.8	3.3	9.4	5.5	5.3	**4.0**	**4.8**	**4.0**
Public Consumption		4.2	17.1	5.4	3.3	5.2	4.4	**7.5**	**2.7**	**5.4**
Gross fixed capital formation		4.5	18.2	7.0	-14.3	5.9	0.4	**3.0**	**3.9**	**3.0**
Exports (goods and services)		32.1	130.3	8.3	10.2	7.6	0.3	**3.4**	**3.0**	**3.0**
Imports (goods and services)		27.5	111.3	7.9	5.9	7.9	-0.5	**3.7**	**3.3**	**3.1**
GNI (GDP deflator)		21.7	88.1	4.6	6.0	-1.6	14.2	**3.8**	**3.5**	**3.8**
Contribution to GDP growth:		Domestic demand		4.1	1.2	4.5	3.2	**3.6**	**3.3**	**3.3**
		Inventories		0.1	-0.7	-0.2	0.5	**0.0**	**0.0**	**0.0**
		Net exports		1.1	6.6	1.0	1.0	**0.3**	**0.2**	**0.5**
Employment				3.5	7.0	4.9	3.9	**4.2**	**3.2**	**3.2**
Unemployment rate (a)				5.3	3.5	3.2	3.1	**3.1**	**3.1**	**3.1**
Compensation of employees / head				4.0	2.6	8.0	4.3	**3.9**	**3.0**	**3.2**
Unit labour costs whole economy				2.3	2.6	7.6	3.5	**4.2**	**2.7**	**2.6**
Saving rate of households (b)				9.1	13.8	17.9	19.1	:	:	:
GDP deflator				2.5	8.3	4.8	2.1	**2.6**	**3.0**	**2.6**
Harmonised index of consumer prices				1.9	5.6	2.4	2.4	**2.5**	**3.0**	**2.6**
Terms of trade goods				0.4	1.3	0.6	0.3	**0.0**	**0.0**	**0.2**
Trade balance (goods) (c)				-16.3	-18.0	-16.6	-14.2	**-14.5**	**-14.5**	**-14.3**
Current-account balance (c)				1.5	3.6	-1.4	6.6	**5.4**	**4.9**	**4.7**
General government balance (c)				-2.3	-4.4	-3.5	-2.1	**-2.8**	**-2.8**	**-2.8**
Fiscal stance (c)				:	1.6	-1.3	0.3	**-1.0**	**-0.5**	**0.6**
Structural budget balance (d)				-2.2	-4.2	-3.3	-1.4	**-2.1**	**-1.6**	**-1.3**
General government gross debt (c)				56.1	46.9	46.0	46.3	**46.7**	**47.0**	**47.2**

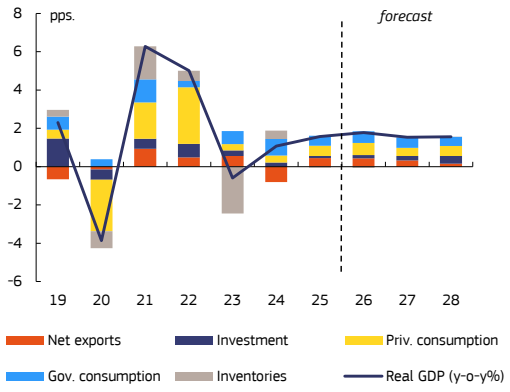
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

16. THE NETHERLANDS

Economic activity is projected to expand by 1.8% in 2026 and 1.5% in 2027, supported by resilient domestic demand despite the surge in energy prices. GDP growth is then projected at 1.6% in 2028. Net exports are also expected to make a small positive contribution to GDP growth until 2028, with high-tech companies driving export growth. Driven by the surge in energy prices and sustained services inflation, inflation is projected to remain elevated in 2026 and 2027, before easing towards the end of 2027. Increased government spending is set to broadly offset adopted revenue measures, especially on income taxation, over the forecast horizon.

Growth supported by resilient domestic demand

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



Household consumption is supporting economic activity in 2026, driven by positive real wage growth. Consumer confidence has turned less negative, particularly regarding households' expectations on their financial situation. Government consumption is also projected to grow strongly, notably due to more spending directed towards public sector wages and healthcare. Investment is forecast to pick up moderately, supported by improving business sentiment, strong profitability in parts of the corporate sector, notably in machinery production benefiting from the AI boom, and rising public investments in defence and infrastructure. Broader investment, including housing construction, is nevertheless constrained by structural bottlenecks. These include electricity grid congestion and permit-related constraints linked to excessive nitrogen deposition. Net exports are projected to make a positive contribution to GDP growth in 2026. Exports are projected to perform strongly, supported by the machinery, pharmaceutical and refining sectors. This is expected to outweigh robust import growth driven by domestic demand.

Economic activity is projected to moderate in 2027 as elevated inflation, together with higher income taxation, is expected to weigh on household consumption growth. Households' accumulated savings are expected to partly cushion this impact. Supported by the same favourable factors as in 2026, investment is forecast to remain robust despite tighter financing conditions, while net exports are projected to continue contributing to GDP. In 2028, easing inflationary pressures are expected to support a pick-up in private consumption, while investment is forecast to continue growing at a stronger pace, as housing construction gradually recovers thanks to an increase in issued permits. This is projected to more than offset the lower government consumption growth. Real GDP is forecast to grow by 1.5% in 2027 and 1.6% in 2028.

Labour market remains tight

The Dutch labour market remains tight, with the number of vacancies still close to that of unemployed persons. Unemployment is projected to rise, from 4.0% in 2026 to 4.2% in 2028, as labour shortages persist even amid slower employment growth. Nominal wages are forecast to outpace HICP inflation until 2028, but higher taxes are expected to weigh on real disposable income, slowing growth to around zero.

Elevated inflation only moderates by 2028

HICP inflation is projected at 3.0% in 2026, broadly unchanged from 2025. After following a decelerating path until the first quarter of 2026, inflation picked up in the second quarter, driven by rising motor fuel prices. It is expected to reach its highest level in the fourth quarter of 2026 on

the back of higher gas and electricity prices. Nevertheless, services inflation is expected to remain the main contributor to headline inflation, supported by continued wage growth. In 2027, HICP inflation is forecast at around the same level of 2026. The energy price surge is expected to fade in the second half of 2027, while second-round effects on food prices and services inflation are projected to remain moderate. In 2028, inflation is forecast to drop to 2.2% thanks to falling energy prices and lower services inflation due to slower wage growth.

Government deficit to widen despite higher revenues

In 2026, the deficit is projected at 2.5% of GDP, up from 1.6% of GDP in 2025. This increase can largely be attributed to the reform of the military pension system, which required a transfer of approximately 0.7% of GDP from the government to a private pension fund.

In 2027, the government deficit is set to decrease to 2.1% of GDP, as the one-off effect of the military pension system reform phases out. It is, however, projected to remain above its 2025 level. On the revenue side, announced higher income taxes and social contributions paid by corporations are expected to partly be offset by the government's plans to increase the labour tax credit and to extend the reduced excise duties on motor fuels until 2028. On the expenditure side, the partial postponement of the covered costs for the chronically ill and childcare benefits are set to reduce expenditure in 2027. The postponement of the increase in the healthcare deductible to 2028 and additional humanitarian support to Ukraine are expected to have the opposite effect.

In 2028, the deficit is projected to increase to 2.3%, as the plans on defence spending and investment related to nitrogen are not fully compensated by additional revenue measures.

Debt-to-GDP is forecasted at 46.1% in 2026 and 46.5% in 2027. This reflects the lower-than-anticipated take-up of loans by the electricity transmission system operator, reducing the stock-flow adjustment to 1% of GDP in 2026 and 0.3% in 2027. Continued government deficits are expected to raise the debt-to-GDP level to 46.9% of GDP in 2028.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		1170.6	100.0	1.5	-0.6	1.1	1.6	**1.8**	**1.5**	**1.6**
Private Consumption		507.0	43.3	0.9	0.7	0.8	1.2	**1.5**	**1.0**	**1.2**
Public Consumption		303.9	26.0	1.6	2.8	3.5	2.1	**2.4**	**2.1**	**1.8**
Gross fixed capital formation		235.4	20.1	1.5	1.5	1.0	0.6	**0.8**	**1.2**	**2.0**
Exports (goods and services)		955.3	81.6	3.5	-3.0	0.9	2.5	**2.4**	**2.2**	**2.5**
Imports (goods and services)		832.6	71.1	3.6	-3.9	2.0	2.2	**2.2**	**2.1**	**2.6**
GNI (GDP deflator)		1151.7	98.4	1.5	0.7	-0.4	1.0	**1.9**	**1.6**	**1.6**
Contribution to GDP growth:		Domestic demand		1.1	1.3	1.4	1.2	**1.4**	**1.2**	**1.4**
		Inventories		0.2	-2.5	0.4	-0.1	**-0.1**	**0.0**	**0.0**
		Net exports		0.3	0.5	-0.8	0.4	**0.4**	**0.3**	**0.2**
Employment				1.0	1.8	1.0	0.8	**0.1**	**0.2**	**0.3**
Unemployment rate (a)				5.8	3.6	3.7	3.9	**4.0**	**4.1**	**4.2**
Compensation of employees / head				2.2	5.9	6.6	4.9	**4.0**	**3.8**	**3.2**
Unit labour costs whole economy				1.7	8.5	6.5	4.1	**2.3**	**2.5**	**1.9**
Saving rate of households (b)				14.4	15.1	16.7	17.4	**17.7**	**17.1**	**16.4**
GDP deflator				1.8	6.3	5.1	3.3	**3.2**	**3.2**	**2.6**
Harmonised index of consumer prices				2.2	4.1	3.2	3.0	**3.0**	**2.9**	**2.2**
Terms of trade goods				-0.2	1.8	2.3	1.2	**-0.8**	**0.1**	**0.5**
Trade balance (goods) (c)				8.5	6.4	6.2	6.8	**6.5**	**6.1**	**6.1**
Current-account balance (c)				6.7	9.7	7.9	7.6	**7.6**	**7.7**	**7.7**
General government balance (c)				-1.7	-0.3	-0.7	-1.6	**-2.5**	**-2.1**	**-2.3**
Fiscal stance (c)				:	-0.1	0.5	-0.8	**-0.1**	**0.1**	**-0.2**
Structural budget balance (d)				-0.3	-0.7	-0.7	-0.9	**-1.3**	**-1.7**	**-2.0**
General government gross debt (c)				56.6	45.9	44.0	44.7	**46.1**	**46.5**	**46.9**

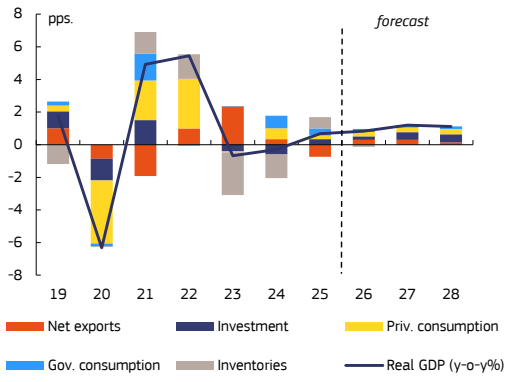
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

17. AUSTRIA

The Austrian economy is recovering gradually despite headwinds from energy markets and rising borrowing costs with growth expected at 0.8% in 2026 and above 1% in 2027 and 2028. Strong global demand is boosting exports and equipment investment, making up for lacklustre consumption growth over the forecast horizon. Inflation remains elevated due to high energy prices in 2026 and 2027 at 3.1% and 2.9% respectively. The general government deficit is projected to decrease from 4.0% of GDP in 2026 and to 3.6% in 2027 and 2028. The debt-to-GDP ratio is forecast to continue to increase, reaching 84.0% in 2028.

Recovery of growth despite headwinds

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



After a temporary dip in the second quarter, Austrian GDP growth is expected to strengthen in the second half of 2026. Recent industry sentiment indicators are showing the strongest readings in years, and industry turnover in 2026 has reached a new peak. The main driver of this momentum is strong international demand for industrial components, partly fuelled by the AI investment boom, from which Austria benefits indirectly. This supports solid export growth, while also strengthening imports. Equipment investment is set to expand further to satisfy rising demand in industry and higher defence expenditure. In contrast, higher interest rates and construction costs weigh on construction investment. Private consumption is held back by high uncertainty and real disposable incomes that decline in 2026 and stagnate in 2027. However, the saving rate is expected to decline further which should support modest consumption growth.

The outlook is subject to risks, notably from energy markets. Moreover, the rebound in industrial demand could be short-lived should the global expansion lose momentum. Overall, real GDP is expected to grow by 0.8% in 2026, by 1.2% in 2027 and by 1.1% in 2028.

Unemployment is increasing

The unemployment rate has increased steadily since 2022 and is expected to reach 6.1% in 2026. The increase affects women more than men: in October, the number of unemployed women was up by 3.8% y-o-y, whereas the number of unemployed men was down by 2.6% y-o-y. Austria is implementing a major pension reform which raises the female statutory retirement age from 60 to 65 years in stages, aligning it with that of men by 2033. This increases the labour force and supports employment growth in the medium term, but in the current transition phase, it also increases female unemployment. However, improving economic growth is expected to bring the unemployment rate down to 5.8% in 2027 and 5.5% in 2028. Compensation of employees is projected to grow below inflation in 2026. Already concluded collective bargaining agreements also indicate that wage growth will remain modest in 2027.

High energy inflation persists

Ongoing volatility in energy markets keeps HICP inflation high at an expected 3.1% in 2026. Energy inflation is expected to reach 7.9%, driven mainly by high motor fuel prices. The government has taken several measures to reduce inflation, including a price brake on petrol and diesel and a reduction in VAT on basic food items which took effect in July 2026. Electricity prices are contributing negatively to overall inflation, due to temporary policy measures introduced for the year 2026 and delayed pass-through of wholesale prices to households' tariffs. In 2027, gas and

retail electricity prices are expected to rise more strongly, whereas the effect of higher motor fuel prices is expected to fade from March. HICP inflation excluding energy and food is set to subside slowly, as the pass-through of higher energy costs is expected to be mitigated by modest wage growth. As a result, Austrian inflation is expected to stay elevated at 2.9% in 2027 and to decline to 2% in 2028, remaining slightly below the Euro Area average over the forecast horizon.

Government deficit expected to remain high

The general government deficit is projected to decline from 4.1% of GDP in 2025 to 4.0% in 2026 and to 3.6% in 2027 and 2028. A contractionary fiscal stance is expected in 2026 and 2027, corresponding to 0.6% and 0.8% of GDP, while a neutral fiscal stance is projected for 2028.

On the expenditure side, in 2026, savings from below-inflation adjustments to pensions and public wages, tighter rules on early retirement and lower climate-related capital expenditure are projected to contribute to budget consolidation. In 2027, changes in social security and unemployment insurance are projected to decrease the deficit. In 2028, additional savings stem from the reduction of investments in the national railway infrastructure. However, these savings are partially offset by rising costs related to an ageing population, particularly in healthcare and long-term care, higher interest expenditure and an increase in military investments.

On the revenue side, in 2026, the partial retention of the tax bracket creep and the increase of the top earners' tax rate are expected to contribute to a deficit reduction. In 2027, the parcel delivery tax and an extraordinary increase in the maximum base for social contributions are expected to boost revenues. In 2028, a progressive increase in the corporate income tax rate and restrictions on eligible assets under the investment-related profit exemption are projected to raise additional revenue. However, the higher revenues are expected to be partly offset by lower employers' contributions to the Family Burdens Equalisation Fund, and by the switch from national carbon pricing to ETS2, which will temporarily reduce recorded revenues due to differences in accounting treatment.

The government debt-to-GDP ratio is expected to continue rising over the forecast horizon. After reaching 80.7% in 2025, it is projected to further increase to 82.4% in 2026, 83.0% in 2027 and 84.0% in 2028, mainly due to persistent primary deficits and subdued GDP growth.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		518.2	100.0	1.3	-0.7	-0.3	0.7	**0.8**	**1.2**	**1.1**
Private Consumption		268.2	51.8	0.9	-0.1	1.3	0.5	**0.5**	**0.6**	**0.6**
Public Consumption		112.1	21.6	1.2	0.2	3.8	2.0	**0.8**	**0.7**	**0.7**
Gross fixed capital formation		122.4	23.6	1.5	-1.7	-2.4	1.4	**0.9**	**2.0**	**2.1**
Exports (goods and services)		284.3	54.9	2.8	-0.4	-1.9	1.3	**1.9**	**2.5**	**2.0**
Imports (goods and services)		272.0	52.5	2.9	-4.2	-2.5	2.8	**1.5**	**2.1**	**1.9**
GNI (GDP deflator)		523.7	101.1	1.3	-0.2	-0.2	0.9	**0.8**	**1.1**	**1.1**
Contribution to GDP growth:		Domestic demand		1.1	-0.4	0.8	1.0	**0.7**	**0.9**	**1.0**
		Inventories		0.1	-2.6	-1.5	0.7	**-0.1**	**0.0**	**0.0**
		Net exports		0.0	2.3	0.3	-0.7	**0.3**	**0.3**	**0.1**
Employment				1.1	0.9	0.1	0.0	**-0.1**	**0.6**	**0.7**
Unemployment rate (a)				5.5	5.1	5.2	5.7	**6.1**	**5.8**	**5.5**
Compensation of employees / head				2.4	6.9	7.3	3.9	**2.3**	**2.9**	**2.4**
Unit labour costs whole economy				2.2	8.6	7.7	3.2	**1.4**	**2.3**	**1.9**
Saving rate of households (b)				15.1	15.1	17.3	15.7	**14.0**	**13.7**	**14.0**
GDP deflator				2.0	7.5	4.5	3.0	**2.2**	**2.7**	**2.3**
Harmonised index of consumer prices				2.3	7.7	2.9	3.6	**3.1**	**2.9**	**2.0**
Terms of trade goods				-0.6	0.0	1.9	0.6	**-1.1**	**0.6**	**0.9**
Trade balance (goods) (c)				0.0	0.4	1.5	0.8	**0.8**	**1.3**	**1.6**
Current-account balance (c)				2.2	1.7	3.0	2.7	**2.5**	**2.9**	**3.2**
General government balance (c)				-2.5	-2.6	-4.6	-4.1	**-4.0**	**-3.6**	**-3.6**
Fiscal stance (c)				:	0.5	-1.7	1.0	**0.6**	**0.8**	**0.1**
Structural budget balance (d)				-1.9	-2.7	-4.1	-3.4	**-3.4**	**-3.1**	**-3.3**
General government gross debt (c)				79.4	77.4	79.0	80.7	**82.4**	**83.0**	**84.0**

(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.

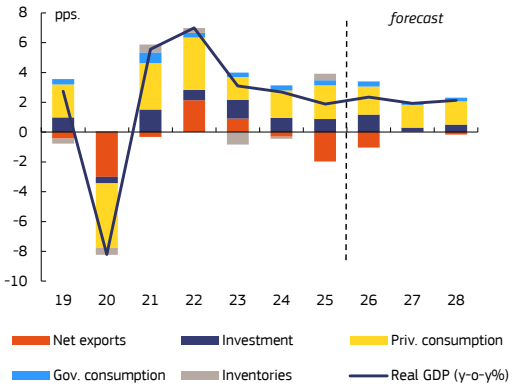
18. PORTUGAL

Portugal's economy is set to accelerate to 2.3% in 2026 as strong domestic demand outweighs adverse external shocks. Growth is projected to moderate to 1.9% in 2027 and to pick up again in 2028. Amid gradual moderation in wage and employment dynamics, headline inflation is expected to recede over the forecast horizon. The general government balance is projected to weaken gradually and record small deficits of 0.1% of GDP in 2027 and 0.3% of GDP in 2028. Public debt is set to continue its downward trajectory over the forecast horizon.

Economic growth improves despite adverse shocks

Despite higher energy prices and weaker economic sentiment, Portugal's GDP growth picked up from 0.2% q-o-q in the first quarter of 2026 to 0.9% in the second quarter. Private consumption and exports of both goods and services contributed strongly to the rebound. Investment remained robust in the first half of the year but growth was concentrated in the first quarter where a data centre project had a substantial impact on both private investment and imports. Despite some recovery in economic sentiment during the summer, the flash estimate for the third quarter of 2026 points to a moderation in GDP growth to 0.2% q-o-q. This was mainly driven by a decline in industrial activity while retail sales continued to grow at a solid pace.

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



Overall, GDP growth is expected to rise from 1.9% in 2025 to 2.3% in 2026, reflecting the strong outcome in the first half of the year, the completion of RRF-funded projects and a further boost to domestic demand by the planned pension bonus and tax refunds in the last quarter of the year. In 2027, economic growth is set to moderate to 1.9% due to winding down in public investment linked to the end of the RRF cycle, partly offset by a slight acceleration in the use of EU cohesion funds and a further expansion of private investment in data centres. Growth is projected to improve again in 2028 against the backdrop of an assumed easing in energy prices and a more favourable external environment. In the external sector, the current account is forecast to move from a surplus of around 1% of GDP in 2025 to a broadly balanced position over 2026-28. This is mainly due to the adverse energy price effects in 2026 which are assumed to unwind in the subsequent years.

Labour market remains resilient amid continuous employment growth

Labour indicators continued to improve at a sound pace until September 2026 albeit with some moderation in employment growth amid weaker migration inflows, as evidenced by data on the working age population. Unemployment dropped from an annual average of 6% in 2025 to 5.6% in September 2026. In year-average terms, the unemployment rate is forecast at 5.8% in 2026, 5.7% in 2027, and 5.6% in 2028. Employment and wage growth are forecast to moderate somewhat over the forecast horizon. This trend, together with the recovery in productivity, is set to translate into a moderation of unit labour costs, which are nevertheless forecast to rise slightly faster than in Portugal's main trading partners.

Inflation set to recede after energy driven spike

Headline inflation increased from 2.2% in 2025 to 3.7% y-o-y in the third quarter of 2026, mostly driven by energy prices. Services prices remained slightly above headline inflation but faced limited impact from energy markets. Food and non-energy industrial goods were also shielded from the energy shock until the third quarter of 2026 but are projected to face some lagged effects in the

following months. However, energy transmission channels are forecast to remain relatively limited and inflation is set to moderate as of 2027. In year-average terms, inflation is forecast to reach 3.2% in 2026 and to recede to 3.0% in 2027 and 2.2% in 2028. Core inflation excluding energy and food is expected to remain slightly below the headline rate in 2026 and 2027 before moving slightly above it in 2028.

Budget balance projected to weaken gradually

Portugal's budget balance is forecast to reach 0.1% of GDP in 2026, following a 0.7% of GDP surplus in 2025. The projected decrease of the surplus in 2026 stems from the impact of government support measures taken in response to the January and February storms, higher RRF loan expenditure and an extraordinary pension supplement. Revenue remains strong on the back of resilient economic activity and a strong labour market although it is partly offset by the impact of revenue-decreasing fiscal policy measures. The fiscal stance in 2026 is expected to be expansionary amid a peak in support from EU funds, notably the RRF.

In 2027 and 2028, the general government balance is projected to weaken gradually, turning into small deficits of 0.1% of GDP in 2027 and 0.3% of GDP in 2028. The weakening is set to be driven by lower tax revenues, notably direct tax revenues as a result of rate cuts in personal and corporate income taxation. At the same time, interest expenditure is projected to rise in view of an increase in bond yields. Nationally financed public investment is forecast to decline slightly to 2.3% of GDP, following a peak driven by RRF-loans in 2026. Risks to the fiscal outlook relate to financial weaknesses in state-owned enterprises and contingent liabilities from public-private partnerships. Portugal's fiscal stance is set to turn contractionary in 2027, following the end of the RRF, before shifting toward a neutral stance in 2028.

Following its decline to 89.2% in 2025, public debt-to-GDP is projected to continue its downward trend over the forecast horizon on the back of persisting primary balance surpluses and favourable growth-interest rate differentials. It is forecast to reach 86.5% of GDP in 2026, 83.2% in 2027 and 80.1% in 2028.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		308.5	100.0	0.7	3.1	2.7	1.9	**2.3**	**1.9**	**2.1**
Private Consumption		188.0	60.9	0.7	2.4	3.0	3.7	**3.1**	**2.5**	**2.5**
Public Consumption		52.6	17.0	0.2	1.8	2.1	2.1	**2.0**	**0.7**	**1.4**
Gross fixed capital formation		64.7	21.0	0.0	6.0	4.7	4.3	**5.6**	**1.2**	**2.3**
Exports (goods and services)		133.9	43.4	3.7	4.3	3.4	0.0	**3.3**	**2.6**	**2.7**
Imports (goods and services)		131.6	42.7	2.8	2.3	4.1	4.6	**5.8**	**2.5**	**3.0**
GNI (GDP deflator)		304.0	98.5	0.8	2.3	3.6	2.1	**2.8**	**1.9**	**2.2**
Contribution to GDP growth:		Domestic demand		0.5	3.1	3.1	3.5	**3.4**	**1.9**	**2.3**
		Inventories		0.0	-0.8	-0.1	0.4	**0.0**	**0.0**	**0.0**
		Net exports		0.3	0.9	-0.3	-2.0	**-1.0**	**0.0**	**-0.2**
Employment				0.1	2.0	0.8	2.3	**1.5**	**1.1**	**0.9**
Unemployment rate (a)				10.7	6.5	6.5	6.0	**5.8**	**5.7**	**5.6**
Compensation of employees / head				2.1	9.4	8.3	4.8	**4.7**	**3.8**	**3.4**
Unit labour costs whole economy				1.5	8.2	6.3	5.2	**3.9**	**2.9**	**2.1**
Saving rate of households (b)				8.4	8.9	12.9	12.3	**11.3**	**11.2**	**11.1**
GDP deflator				1.7	7.5	4.9	4.0	**3.1**	**3.2**	**2.6**
Harmonised index of consumer prices				1.6	5.3	2.7	2.2	**3.2**	**3.0**	**2.2**
Terms of trade goods				0.2	3.3	2.1	0.2	**-1.0**	**0.7**	**0.4**
Trade balance (goods) (c)				-8.2	-9.6	-8.8	-10.0	**-10.9**	**-10.5**	**-10.2**
Current-account balance (c)				-3.1	0.4	2.2	1.0	**0.1**	**0.2**	**0.3**
General government balance (c)				-4.6	1.1	0.7	0.7	**0.1**	**-0.1**	**-0.3**
Fiscal stance (c)				:	0.9	-1.8	0.5	**-1.9**	**1.5**	**0.0**
Structural budget balance (d)				-1.3	1.0	0.3	0.7	**0.2**	**0.2**	**-0.4**
General government gross debt (c)				114.8	96.9	93.0	89.2	**86.5**	**83.2**	**80.1**

(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

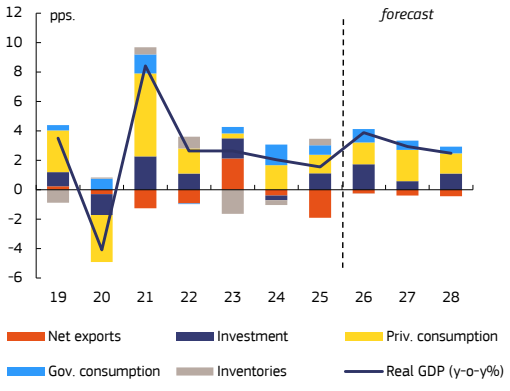
Slovenia's economy is set to grow by 3.9% in 2026 and 2.9% in 2027, driven by strong domestic demand, before slowing down to 2.5% in 2028. The labour market is expected to remain resilient, with employment broadly stable at a high level and unemployment rate remaining low. Inflation is forecast to peak at 3.4% in 2026, before falling to 2.4% in 2027 and 2.3% in 2028. The government deficit, however, is projected to reach 2.9% of GDP in 2026 and rapidly increase to 4.5% in 2027, as tax revenues are decreasing and expenditure remains high. The debt-to-GDP ratio is projected to increase from 64.5% in 2026 to 65.3% by 2028.

Growth set to increase, supported by domestic demand and exports

Real GDP growth in 2025 was revised up from 1.1% to 1.5% in 2025. Growth in the first half of 2026 was rapid, driven by domestic demand. Private consumption was supported by wage growth and high employment, while public consumption also expanded. Investment growth was particularly strong in non-residential construction, reflecting the final RRF investments, and in machinery and equipment. Exports also rebounded after their weak performance in 2025, supported by the opening of important new production capacities in the automotive and pharmaceutical sectors. However, the contribution of net exports to GDP growth remained negative due to the faster growth of imports.

GDP growth is forecast to reach 2.9% in 2027 and 2.5% in 2028. In 2027, private consumption is expected to receive further support by the lower taxes and contributions. Employment remains stable at a high level, while wage growth stays robust. The saving rate is projected to further increase in 2027. Public investment is expected to remain high in 2027 and 2028, reflecting additional defence investments. Private investment is also forecast to continue the strong momentum observed since the end of 2025, underpinned by solid credit growth. Export growth is projected to continue in line with the foreign demand, although the growth contribution from net exports is expected to remain negative.

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



Persistent labour market tightness

Employment remains at historically high levels, rising only by 0.2% in 2026, and is expected to remain stable thereafter, supported mainly by the sustained inflow of foreign workers. The unemployment rate is projected to remain at around 3.8% throughout the forecast horizon. Nominal wage growth is set to remain high in 2026, at 7.4%, reflecting the continued impact of the public sector wage reform, the increase in the minimum wage and tight labour market conditions. It is expected to ease to 5.7% and 5.2% in 2027 and 2028 respectively.

Inflation set to ease gradually from 2027

Inflation is projected to rise from 2.5% in 2025 to 3.4% in 2026, driven by high energy prices as well as marked wage growth amid a tight labour market. It is then forecast to ease to 2.4% in 2027, as energy-related price pressures gradually fade. However, services inflation is expected to remain elevated in 2027 and to ease only gradually thereafter, maintaining upward pressure on headline inflation. HICP inflation is projected to decline to 2.3% in 2028.

Persistent expenditure pressures and revenue measures widen the deficit

In 2026, the general government deficit is set to increase to 2.9% of GDP, from 2.5% of GDP in 2025. Revenue is supported by a strong economic performance and by the full-year impact of the long-term care contribution, introduced in July 2025. By contrast, measures to mitigate the impact of high energy prices are expected to reduce revenue by around 0.3% of GDP. On the expenditure side, current spending continues to increase, driven by social benefits and public wages. Public investment is projected to reach 5.7% of GDP, supported by the completion of RRF-funded projects.

In 2027, the general government deficit is forecast to increase to 4.5% of GDP, mainly due to current expenditure remaining elevated and the impact of new measures. In line with the no-policy-change assumption, the projections include measures that have been adopted or credibly announced and specified in sufficient detail. On the revenue side, these include a cap on social security contributions, lower VAT rates on food and, temporarily, on energy and changes to the personal income tax regime, which reduce revenues. On the expenditure side, these include full pensions for working pensioners, increasing expenditure. Overall, these measures, adopted in the Intervention Act (ZIURS), are estimated to increase the deficit by around 1.2% of GDP. Current spending is set to continue to increase due to social benefits and public wages, while expenditure-containment measures are incorporated in the projections where they have been specified in sufficient detail. Despite the end of the RRF, public investment is projected to remain high at 5.5% of GDP thanks to the continued implementation of EU cohesion funds and strong nationally-financed investment, including in defence.

The fiscal outlook is subject to high uncertainty. On one hand, a further extension of the energy support measures into 2027 and reducing fuel excise duties below the EU minimum levels, would increase the deficit. On the other hand, the deficit could be lower than projected if specific expenditure-reducing measures are adopted or the ZIURS measures are revised or do not ultimately enter into force altogether.

In 2028, the general government deficit is projected to decline slightly to 4.3% of GDP. Revenue is set to benefit from continued economic growth, while expenditure is projected to fall, mainly due to lower public investment. As a result of the high fiscal deficits, the debt-to-GDP ratio is forecast to increase from 64.5% in 2026 to 65.3% of GDP in 2028.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		71.2	100.0	1.7	2.6	2.0	1.5	**3.9**	**2.9**	**2.5**
Private Consumption		36.2	50.9	2.1	0.6	3.2	2.5	**2.9**	**4.2**	**2.7**
Public Consumption		15.3	21.5	1.4	2.3	7.3	3.2	**4.3**	**2.9**	**2.1**
Gross fixed capital formation		15.1	21.2	-0.1	6.2	-1.5	5.3	**8.2**	**2.6**	**5.0**
Exports (goods and services)		55.5	78.0	4.4	-1.9	2.4	0.2	**5.7**	**3.3**	**2.6**
Imports (goods and services)		51.6	72.5	4.0	-4.2	3.1	2.8	**6.5**	**4.0**	**3.3**
GNI (GDP deflator)		70.8	99.5	1.7	3.4	2.2	1.7	**3.8**	**2.9**	**2.5**
Contribution to GDP growth:		Domestic demand		1.3	2.1	2.8	3.0	**4.1**	**3.3**	**2.9**
		Inventories		0.0	-1.6	-0.3	0.4	**0.0**	**0.0**	**0.0**
		Net exports		0.5	2.1	-0.4	-1.9	**-0.3**	**-0.4**	**-0.4**
Employment				0.9	1.5	0.4	-0.1	**0.2**	**0.0**	**0.0**
Unemployment rate (a)				6.6	3.7	3.7	3.9	**3.8**	**3.8**	**3.8**
Compensation of employees / head				3.4	9.6	6.1	7.3	**7.4**	**5.7**	**5.2**
Unit labour costs whole economy				2.5	8.4	4.5	5.6	**3.6**	**2.7**	**2.7**
Saving rate of households (b)				13.6	14.9	14.0	14.7	**15.3**	**15.9**	**15.4**
GDP deflator				2.0	9.8	3.1	3.9	**3.4**	**3.1**	**2.9**
Harmonised index of consumer prices				2.1	7.2	2.0	2.5	**3.4**	**2.4**	**2.3**
Terms of trade goods				-0.3	4.0	0.9	1.5	**-1.1**	**0.2**	**0.2**
Trade balance (goods) (c)				0.5	0.9	1.0	-0.4	**-1.4**	**-1.9**	**-2.3**
Current-account balance (c)				2.2	5.0	5.3	3.4	**2.2**	**1.8**	**1.4**
General government balance (c)				-3.6	-2.6	-0.8	-2.5	**-2.9**	**-4.5**	**-4.3**
Fiscal stance (c)				:	1.0	1.4	-1.9	**-2.0**	**-1.1**	**0.3**
Structural budget balance (d)				-2.0	-3.1	-1.3	-2.5	**-3.9**	**-5.7**	**-5.5**
General government gross debt (c)				60.9	68.2	66.3	65.1	**64.5**	**64.8**	**65.3**

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

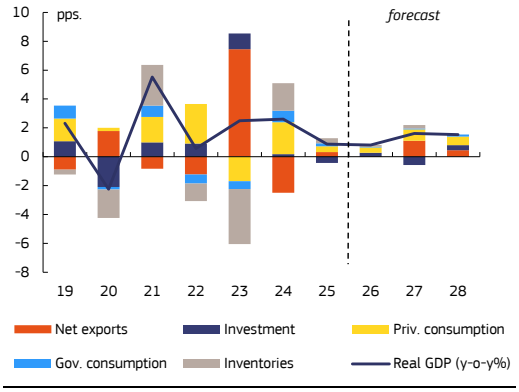
20. SLOVAKIA

Real GDP growth is expected to remain modest at 0.8% in 2026, before picking up to 1.6% in 2027 and 1.5% in 2028. EU funds continue to support public investment in 2026, while private consumption and investment remain subdued due to fiscal consolidation and uncertainty. Net exports are expected to pick up and support growth in 2027 and 2028. HICP inflation is projected to slow in 2026, as a sharp acceleration in energy prices is outweighed by the slowdown in food and services inflation. Inflation is set to moderate in 2027 before picking up in 2028 due to energy support removal and the introduction of ETS2. The public deficit is set to continue increasing from 4.4% of GDP in 2026 to 5.0% in 2027 and 5.5% in 2028, as fiscal consolidation comes to a halt. Rising deficits, together with the diminishing favourable effects of the interest rate-growth differential (as the difference between nominal GDP growth and the effective interest rate on government debt becomes less favourable), are expected to contribute to an increase in the debt-to-GDP ratio from 63.4% in 2026 to 66.3% in 2027 and 69.5% in 2028.

Growth remains modest amid uncertainty and fiscal consolidation

Following subdued growth of 0.9% in 2025 held back by uncertainty and fiscal consolidation, real GDP growth is expected to slow further to 0.8% in 2026. Private consumption has proven more resilient than expected but is set to remain modest, weighed down by fiscal consolidation and only slightly increasing real wages. Public investments are projected to support growth with a robust deployment of EU funds, while uncertainty and higher interest rates affect private investments. The contribution of net exports to growth is expected to be broadly neutral.

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



In 2027, real GDP growth is projected at 1.6%, driven mainly by a growth impulse from net exports and accelerating private consumption. Export growth is expected to regain momentum in 2027, supported by the launch of a new automotive production factory. Gross fixed capital formation is expected to contract in 2027, mainly reflecting a decline in public investments as the RRF is coming to an end. Private consumption is expected to accelerate with a pick-up in economic activity and higher real wage growth. In 2028, real GDP growth is forecast at 1.5%, slightly down from 2027, with investments rebounding but the export impulse fading and higher inflation weighing on household consumption. Additional impact of the fiscal stimulus in Germany represents a positive risk to growth due to close economic integration and positive spillovers. However, overall risks to growth remain tilted to the downside over the forecast horizon, mainly due to Slovakia's external dependencies, particularly on energy commodities, and geopolitical tensions.

Resilient labour market despite economic turmoil

The unemployment rate is projected to increase from 5.4% in 2025 to 5.7% in 2026 as the labour market slightly loosens reflecting weaker economic activity. However, the ongoing decline in employment is largely offset by a shrinking labour force. Overall, the labour market remains relatively tight due to robust labour demand in specific sectors, alongside a high influx of foreign workers. The unemployment rate is forecast to remain at 5.7% in 2027 and 2028. Growth in the employee compensation is expected to slow down in 2026, before regaining pace in 2027. Elevated inflation levels shape real wage dynamics, as growth in real compensation per employee in 2026 is expected to be only slightly positive, before picking up in 2027 and again slowing down in 2028.

Elevated inflationary pressures set to continue

In 2026, HICP inflation is expected to ease to 3.8%, as effects of 2025 tax increases fade, and moderation in food and services inflation more than offset increasing energy prices. Energy inflation is set to pick up strongly, mainly driven by the energy support adjustment that included a removal of price caps for heating. The impact of the conflict in the Middle East is reflected mainly through higher petrol and diesel prices, while the effect on gas and electricity prices is limited as they are regulated by the government.

In 2027, HICP inflation is projected at 3.2% in view of the 2026 energy support adjustment effect fading. However, agricultural prices are forecast to increase, and commodity prices are set to remain elevated, with an expected pass-through to other components. In 2028, HICP is set to increase to 4.0% due to the removal of the energy support mechanism altogether, resulting in removed price caps on gas and electricity, as well as the implementation of ETS2.

Deficits and debt to increase despite consolidation measures

In 2026, the general government deficit is expected to remain at 4.4% of GDP. Despite a consolidation package for 2026, the deficit is projected to remain unchanged compared with 2025, reflecting the delayed delivery of military equipment initially expected in 2025. In 2027, the deficit is forecast to increase to 5.0% of GDP, as fiscal consolidation comes to a halt and additional policy measures increasing expenditure are set to be introduced, such as support to the agricultural sector in response to drought. The main factor contributing to the higher deficit is increased public investment in defence, the construction of a nuclear power plant in Jaslovské Bohunice and national co-financing of EU-funded projects. The deficit is forecast to increase further to 5.5% of GDP in 2028, driven by the expected delivery of military equipment.

The government debt-to-GDP ratio is forecast to continue rising, largely driven by the projected deficits and the waning favourable effects of the interest rate-growth differential, from 60.5% in 2025 to 63.4% in 2026, then further to 66.3% in 2027 and 69.5% in 2028.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		138.7	100.0	2.8	2.5	2.6	0.9	**0.8**	**1.6**	**1.5**
Private Consumption		81.1	58.5	2.7	-2.8	3.8	0.7	**0.6**	**1.3**	**1.0**
Public Consumption		29.2	21.1	1.7	-2.5	4.0	1.0	**0.2**	**0.3**	**0.6**
Gross fixed capital formation		27.1	19.5	1.4	5.2	0.8	-2.1	**1.4**	**-2.9**	**1.9**
Exports (goods and services)		115.4	83.2	4.4	-1.0	0.3	3.8	**3.1**	**4.4**	**3.1**
Imports (goods and services)		115.0	82.9	3.6	-8.1	3.1	3.4	**3.1**	**3.1**	**2.6**
GNI (GDP deflator)		134.2	96.8	2.8	1.7	2.7	1.1	**0.6**	**1.4**	**1.3**
Contribution to GDP growth:	Domestic demand			2.2	-1.1	3.2	0.2	**0.7**	**0.3**	**1.1**
	Inventories			0.0	-3.8	1.9	0.4	**0.1**	**0.2**	**0.0**
	Net exports			0.7	7.5	-2.5	0.3	**0.0**	**1.1**	**0.5**
Employment				0.8	0.3	-0.2	-0.1	**-0.4**	**-0.2**	**-0.3**
Unemployment rate (a)				10.2	5.8	5.3	5.4	**5.7**	**5.7**	**5.7**
Compensation of employees / head				4.6	10.4	7.7	6.5	**4.2**	**4.8**	**4.5**
Unit labour costs whole economy				2.6	8.0	4.8	5.5	**2.9**	**2.9**	**2.6**
Saving rate of households (b)				9.0	7.6	7.8	6.1	**7.0**	**7.6**	**8.9**
GDP deflator				1.5	10.0	3.7	4.2	**4.1**	**3.0**	**3.2**
Harmonised index of consumer prices				2.4	11.0	3.2	4.2	**3.8**	**3.2**	**4.0**
Terms of trade goods				-1.0	0.5	2.1	0.5	**0.1**	**-0.4**	**-0.1**
Trade balance (goods) (c)				0.2	1.2	-0.3	0.2	**0.2**	**0.9**	**1.1**
Current-account balance (c)				-2.8	-1.7	-4.0	-3.6	**-3.7**	**-3.0**	**-2.8**
General government balance (c)				-3.5	-5.3	-5.4	-4.4	**-4.4**	**-5.0**	**-5.5**
Fiscal stance (c)				:	-6.1	2.3	1.1	**0.1**	**2.0**	**-0.2**
Structural budget balance (d)				-2.6	-5.5	-5.6	-4.4	**-4.0**	**-4.7**	**-5.3**
General government gross debt (c)				48.0	55.5	58.9	60.5	**63.4**	**66.3**	**69.5**

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

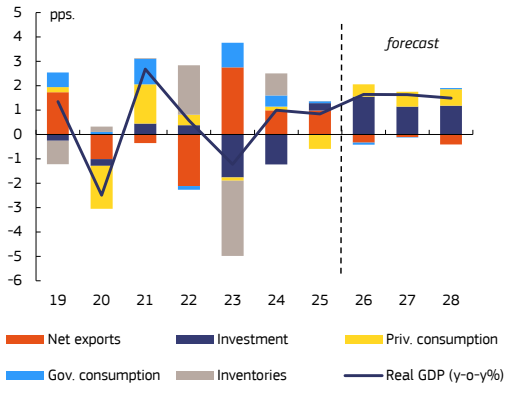
21. FINLAND

After growing by 0.8% in 2025, Finland's real GDP growth is projected to gain steam with growth forecast at 1.6% in 2026, 1.6% in 2027, and 1.5% in 2028. Continued export strength, together with rising private consumption and investment are expected to keep the economy on a steady growth path. Inflation is set to ease from 2.5% in 2026 to 1.7% by 2028. Driven by expanding economic activity, the unemployment rate is forecast to decline from 10.6% in 2026 to 9.4% in 2028. Public spending is set to grow modestly amid fiscal consolidation, though defence investment is expected to surge as from 2026. The general government deficit is forecast to widen from 3.8% of GDP in 2025 to 4.0% in 2026, and to remain elevated at around 4.5% in 2027-28. Public debt is projected to continue rising, reaching 93.7% of GDP by 2028.

Domestic demand set to drive economic growth

Following revisions to historical national accounts since the Spring 2026 Forecast, GDP growth figures have been substantially updated. Real GDP rose by 0.8% in 2025 – an upward revision of 0.6 pps. compared with the data available for the Spring Forecast. The revised data also suggests that 2026 began with stronger growth momentum. In the first half of the year, the economy grew by 1.3% y-o-y, supported by stronger exports, private consumption and investment. Imports also rose significantly, driven by robust domestic demand, especially for military equipment, which turned the contribution of net trade to GDP negative. The expansion is expected to continue throughout 2026 as domestic and exports demand remain strong and surveys show rising activity in key sectors. Stronger domestic and external demand is projected to lift real GDP growth to 1.6% in 2026 – an upward revision of 0.8 pps. compared with the Spring Forecast. Real GDP growth is projected to remain at 1.6% in 2027 and to decline to 1.5% in 2028.

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



Consumer confidence has improved, reaching close to its long-run average, and private consumption began to grow in 2026, with a gradually accelerating rise projected over the forecast horizon. Real disposable income for households is expected to be roughly flat in 2026, leading to a fall in the saving rate. Higher policy rates in the euro area are projected to increase loan-servicing costs for households with variable-rate mortgages. Higher employment, wage growth and softer inflation should sustain consumption in 2027-28.

Investment is projected to increase in 2026, driven by a rise in machinery and equipment installations and by construction investment: deliveries of new fighter jets have begun (to continue until 2030) and data-centre construction is booming. In contrast, residential investment is forecast to decline in 2026 as weakness in the housing market continues. A gradual recovery is projected as from 2027, in line with recovering house prices and higher household income. As firms report increasing export orders and stronger confidence, exports are projected to grow over the forecast horizon. At the same time, domestic demand, including for defence and data-centre equipment, is set to push import growth above export growth in 2026 and remain more dynamic in 2027-28. This would turn the net-export contribution to growth negative in 2026-28. The current account balance is projected decline from 0.8% of GDP in 2026 to 0.2% of GDP in 2028.

Employment set to expand gradually

The unemployment rate increased to 11.0% in September 2026, largely due to migration and rising labour force participation and persistently low labour demand. Despite economic growth,

employment decreased during the first half of 2026 as output growth was supported by productivity gains while remaining relatively less employment intensive. More recently, employment has shown signs of recovery. Employment is expected to follow the economic activity with a lag and increase gradually, by 0.6% in 2027 and 0.9% in 2028, after a decline of 0.4% in 2026. Unemployment is projected to average 10.6% in 2026 and to decrease to 9.4% by 2028.

Inflation expected to ease over the forecast horizon

Higher fuel prices are pushing up consumer prices, with average inflation projected at 2.5 % in 2026. As the impact of the energy price shock wanes and otherwise price pressures are assessed to be modest, inflation is expected to ease gradually, falling to 1.7 % in 2028.

Public finances continue to face significant strain

Despite tax revenue gains from more upbeat economic activity, the general government deficit is expected to reach 4.0% of GDP in 2026, up from 3.8% in 2025. Expenditure growth is driven by a large delivery of F-35 fighter jets, rising interest payments and an increase in the compensation of employees. The freeze on the indexation of certain social transfers, such as the basic unemployment allowance, is expected to contain expenditure growth until 2027. Revenue is projected to grow, supported by nominal GDP growth and increases in social contribution rates. However, the weak labour market and personal income tax cuts are limiting income tax receipts.

In 2027, the deficit is forecast to rise further to 4.5% of GDP. Expenditure pressures remain elevated due to investments in defence, solid growth in compensation of employees and continuing growth in debt servicing costs. On the revenue side, fiscal intake is set to be dampened driven in part by the implementation of a corporate income tax cut. In 2028, the deficit is projected to stay at 4.5% of GDP based on the no-policy-change assumption.

The debt-to-GDP ratio is expected to be at 89.8% in 2026. Continued large deficits are projected to push the ratio higher over the forecast horizon, reaching 93.7% by 2028.

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

	2025			Annual percentage change					
	bn EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		281.8	100.0	0.6	-1.2	1.0	0.8	**1.6**	**1.6**	**1.5**
Private Consumption		142.2	50.5	0.9	-0.3	0.3	-1.1	**1.0**	**1.2**	**1.4**
Public Consumption		72.8	25.8	1.0	4.2	1.8	0.3	**-0.3**	**0.0**	**0.2**
Gross fixed capital formation		61.7	21.9	1.0	-7.1	-5.2	1.4	**7.1**	**5.0**	**5.0**
Exports (goods and services)		120.7	42.8	1.4	-1.0	1.0	5.2	**3.8**	**3.4**	**3.5**
Imports (goods and services)		116.5	41.3	2.4	-6.7	-1.3	2.9	**4.8**	**3.8**	**4.5**
GNI (GDP deflator)		282.3	100.2	0.6	-1.9	0.8	1.0	**1.6**	**1.6**	**1.5**
Contribution to GDP growth:		Domestic demand		0.9	-0.9	-0.6	-0.2	**2.0**	**1.7**	**1.9**
		Inventories		0.1	-3.1	0.9	0.0	**0.0**	**0.0**	**0.0**
		Net exports		-0.4	2.7	1.0	1.0	**-0.3**	**-0.1**	**-0.4**
Employment				0.7	1.0	-0.8	-0.6	**-0.4**	**0.6**	**0.9**
Unemployment rate (a)				7.9	7.2	8.4	9.7	**10.6**	**10.2**	**9.4**
Compensation of employees / head				2.0	3.3	1.7	3.5	**3.2**	**2.5**	**2.6**
Unit labour costs whole economy				2.1	5.6	-0.1	2.0	**1.1**	**1.5**	**2.0**
Saving rate of households (b)				9.5	11.1	12.4	13.8	**13.4**	**13.2**	**13.2**
GDP deflator				2.1	3.9	0.3	1.2	**2.6**	**2.2**	**1.7**
Harmonised index of consumer prices				2.0	4.3	1.0	1.8	**2.5**	**2.3**	**1.7**
Terms of trade goods				0.3	-1.1	-2.7	1.8	**0.1**	**0.0**	**0.0**
Trade balance (goods) (c)				2.1	2.9	2.1	3.1	**3.0**	**2.8**	**2.2**
Current-account balance (c)				-0.2	-1.0	-0.6	1.0	**0.8**	**0.6**	**0.2**
General government balance (c)				-1.2	-3.0	-4.4	-3.8	**-4.0**	**-4.5**	**-4.5**
Fiscal stance (c)				:	-1.9	-1.4	1.3	**-0.2**	**0.0**	**-0.1**
Structural budget balance (d)				-1.5	-1.3	-2.9	-2.3	**-3.3**	**-3.8**	**-3.9**
General government gross debt (c)				59.9	77.2	82.5	88.4	**89.8**	**91.0**	**93.7**

(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.

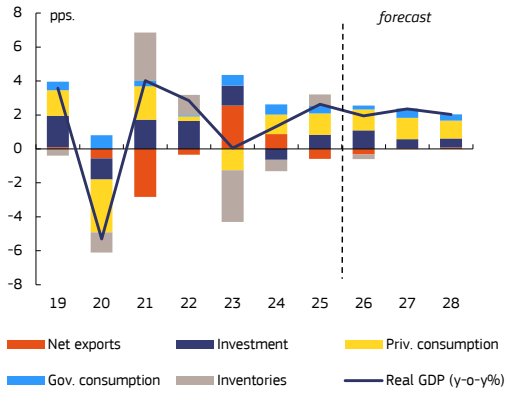
Non-EA Member States

22. CZECHIA

Real GDP growth in Czechia is forecast at 1.8% in 2026, accelerating to 2.5% in 2027 and then moderating at 2.1% in 2028. Private consumption is expected to remain the main driver of growth, supported also by expanding public consumption. However, higher energy prices and growing uncertainty are forecast to weigh on economic activity, especially in 2026. The energy price shock is expected to raise inflation and, despite a deceleration in services inflation, the headline indicator is projected to peak at 2.8% in 2027, before easing somewhat in 2028. Fiscal expansion is set to widen the public deficit to 3.3% in 2027 and 2028.

Solid growth, driven by private demand and public consumption

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



Czechia's real GDP growth is set to slow to 1.8% in 2026, reflecting the impact of the energy price shock and a negative contribution from net exports. Growth is projected to accelerate to 2.5% in 2027, supported by solid household and government consumption, investment, and improved contribution from net exports, before moderating to 2.1% in 2028. Household consumption is expected to remain the main driver of growth over the forecast horizon. Despite a decline in consumer confidence since March 2026, household consumption is forecast to expand by close to 2.5% in both 2026 and 2027, supported by further growth in real wages, pent-up demand and a declining households' saving rate. The latter are among the highest in the EU and are projected to moderate, remaining however well above their historic average, due to persisting consumer uncertainty and to larger asymmetries in the distribution of disposable income. Investment is expected to contribute positively to growth, expanding rapidly in 2026, supported by a higher absorption of EU funds, increased residential construction, as well as higher domestic and external demand in some industrial segments. Over 2027 and 2028 investment growth is set to decelerate, in a context of tighter financing conditions, but to remain positive.

Despite the outstanding economic uncertainty, exports are expected to grow over the forecast horizon, driven also by higher defence and infrastructure spending in some key trading partners. The expansion in domestic demand is expected to lead to rapid imports growth, resulting in a negative contribution of net exports to economic growth in 2026, before turning slightly positive in 2027 and 2028. Downside risks to exports remain, due to uncertainties in international trade and over the scope of Czechia's export growth linked to the fiscal expansion of its trading partners.

Labour market remains tight, despite higher participation rates

Czechia is projected to record an increase in employment in 2026, reflecting higher participation rates in the labour force. The unemployment rate is set to broadly stabilise, narrowly increasing from 3.1% in 2026 to 3.3% in 2028, remaining among the lowest in the EU. Structural shifts continue to reshape the Czech labour market, with increasing female participation and higher employment in services offsetting a decline in the manufacturing sector. Nominal wage growth is projected to remain markedly above inflation but to decline gradually, from 4.9% in 2026 to 4.5% in 2027 and 4.0% in 2028.

Inflation affected by energy price shocks

HICP inflation is projected at 2.1% in 2026, before accelerating to 2.8% in 2027, and slowing to 2.5% in 2028. Energy price shocks are pushing inflation higher, but their impact on consumer

prices are expected to be mostly visible in 2027, due to deferred effects both on energy inflation and on the pass-through to the other HICP components. In 2026, the decline in electricity prices resulting from the government permanently taking over the payment of the renewable energy fee from consumers is forecast to offset most of the price increases in transport fuels and gas. Energy inflation is therefore expected to accelerate in 2027. Services inflation is projected to moderate in 2026, reflecting the slowing wage growth, following the same trend in 2027 and 2028. HICP inflation excluding energy and food is forecast to exceed headline inflation in 2026, at 3.1%, 0.2 pps. higher than in 2025, before decreasing to 2.8% in 2027 and 2028.

Fiscal expansion set to increase deficit

The budget deficit is set to increase to 2.7% in 2026 from 2.2% in 2025, driven by lower revenue after the full phase-out of the tax on energy companies' windfall profits. The revenue foregone due to the reduction in diesel excise tax, introduced in response to the conflict in the Middle East, is expected to be partly compensated by the extraordinary sectoral tax on higher gross refining margins. Expenditure is set to increase, reflecting the takeover of the payment of the renewable energy levy from electricity consumers.

The budget deficit is forecast to increase to 3.3% of GDP in 2027, keeping the fiscal impulse from the national budget expansionary. The revenue-to-GDP ratio is projected to decrease, as EU transfers decline after the expiry of the RRF, partly offset by higher tax compliance following the reintroduction of the EET 2.0, the electronic evidence of sales registration system. Expenditure is set to rise driven by increased defence spending, social benefits, compensation of employees, and growing interest expenditure.

Under a no-policy-change assumption, the deficit is expected to stabilise at 3.3% in 2028, as the increasing negative government balance is offset by nominal GDP growth. Overall, this implies a broadly neutral fiscal stance for 2028.

The public debt-to-GDP ratio is forecast to rise from 44.2% in 2025 to 49.5% in 2028, driven by the negative primary balance, partly offset by nominal GDP growth.

Table III.22.1: **Main features of country forecast – CZECHIA**

	2025			Annual percentage change					
	bn CZK	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		8573.1	100.0	1.8	0.0	1.3	2.6	**1.8**	**2.5**	**2.1**
Private Consumption		4050.0	47.2	1.7	-2.6	2.4	2.7	**2.3**	**2.5**	**2.1**
Public Consumption		1712.7	20.0	1.3	3.2	3.1	2.2	**1.3**	**3.7**	**2.7**
Gross fixed capital formation		2286.9	26.7	2.3	4.2	-2.3	3.1	**4.1**	**1.9**	**1.9**
Exports (goods and services)		5728.7	66.8	4.1	2.3	2.2	3.2	**2.6**	**2.4**	**1.8**
Imports (goods and services)		5231.0	61.0	4.3	-1.2	1.0	4.5	**3.4**	**2.5**	**1.8**
GNI (GDP deflator)		8354.4	97.4	2.0	0.5	2.0	2.8	**1.5**	**2.5**	**1.9**
Contribution to GDP growth:		Domestic demand		1.7	0.5	1.1	2.5	**2.4**	**2.5**	**2.1**
		Inventories		0.1	-3.0	-0.7	0.7	**-0.3**	**0.0**	**0.0**
		Net exports		0.1	2.6	0.9	-0.6	**-0.4**	**0.0**	**0.1**
Employment				0.4	1.6	0.6	1.3	**1.3**	**0.3**	**0.1**
Unemployment rate (a)				4.6	2.6	2.6	2.8	**3.1**	**3.2**	**3.3**
Compensation of employees / head				4.3	7.0	5.6	5.5	**4.9**	**4.5**	**4.0**
Unit labour costs whole economy				2.9	8.6	4.9	4.2	**4.5**	**2.3**	**1.9**
Saving rate of households (b)				13.2	20.6	19.7	19.2	**18.9**	**19.0**	**18.9**
GDP deflator				2.5	8.6	4.0	3.5	**2.4**	**3.2**	**2.3**
Harmonised index of consumer prices				2.9	12.0	2.7	2.3	**2.1**	**2.8**	**2.5**
Terms of trade goods				-0.2	3.3	1.6	0.6	**-1.9**	**1.3**	**0.6**
Trade balance (goods) (c)				2.8	3.8	5.1	4.6	**3.3**	**3.8**	**4.0**
Current-account balance (c)				-2.2	0.1	2.4	2.0	**0.4**	**0.8**	**0.8**
General government balance (c)				-2.1	-3.7	-2.0	-2.2	**-2.7**	**-3.3**	**-3.3**
Fiscal stance (c)				:	0.6	2.0	-0.2	**-1.1**	**0.3**	**-0.1**
Structural budget balance (d)				-1.4	-3.2	-1.4	-1.9	**-2.5**	**-3.3**	**-3.5**
General government gross debt (c)				36.6	42.2	43.2	44.2	**45.9**	**47.5**	**49.5**

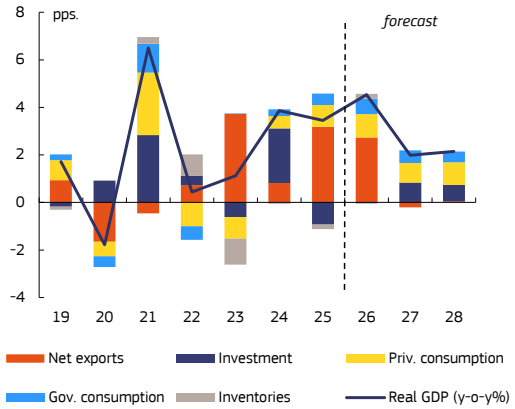
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

23. DENMARK

The Danish economy is projected to maintain strong growth rates in 2026, reaching 4.5%, driven mainly by net exports before falling to 2.0% and 2.1% in 2027 and 2028 respectively. Economic activity is expected to slow down in 2027 and 2028, with domestic demand taking over as its main driver. At 1.7% inflation is set to remain subdued in 2026, partially reflecting a temporary lowering of electricity levies, but to increase thereafter supported by energy price developments. Employment is set to continue increasing, but at a slower rate than in previous years. The general government budget balance is expected to remain in surplus over the forecast period, albeit falling from 1.1% in 2026 via 0.5% in 2027 to 0.3% in 2028.

Consumption and investment to drive growth in 2027 and 2028

Graph III.23.1: **Denmark - Real GDP growth and contributions**



GDP expanded strongly in the first half of 2026, driven by strong pharmaceutical exports, while economic activity in the rest of the economy has expanded at a more moderate pace. Growth is expected to reach 4.5% in 2026 before moderating to around 2% in 2027 and 2028. Domestic demand is set to strengthen gradually over the forecast horizon. Projected expansion in household consumption is supported by real wage growth and a resilient labour market. It is also underpinned by a gradual unwinding of still-elevated saving rate, even though consumer confidence remains subdued. Robust public consumption continues to contribute to demand, and investment is projected to recover gradually, supported by construction activity and public investment in defence, providing additional support to growth in 2027 and 2028. The growth contribution from net exports is set to fade and turn broadly neutral.

Danish exports have continued to increase in 2026 despite global economic and geopolitical uncertainty. This trend is expected to continue over the forecast horizon, although growth is set to slow down. The pharmaceutical industry has been the main driver of export developments, recording exceptionally strong growth in the first half of 2026, with a substantial share of pharmaceutical production taking place abroad under Danish ownership. Developments in the US market have played an important role, amid an agreement to reduce prices for selected weight-loss and diabetes treatments in exchange for expanded market access, alongside the introduction of a new pill-based weight-loss medication. Following a decline in 2025, service exports are expected to return to growth in 2026 and continue expanding over the forecast horizon as shipping exports are set to benefit from growth in global trade. However, international transport routes are likely to remain vulnerable to disruptions, bottlenecks and rising costs, posing risks to major Danish logistics and transport companies.

Employment growth slows down

Employment is expected to rise modestly over the forecast horizon, after several years of rapid expansion. The labour force is projected to grow broadly at the same rate, favoured by a net influx of international workers as well as by older workers staying active beyond retirement age. Additionally, the activity rate of migrants living in Denmark has increased. Going forward, the unemployment rate is expected to remain at around 7.0%. Real wages are set to continue growing over the forecast horizon as nominal wage growth is projected to outpace inflation.

Inflation expected to increase

Inflation is projected to remain contained in 2026, with HICP inflation at 1.7%, as the upward pressure from rapidly rising energy prices is offset by a temporary reduction in the levy on electricity and by declines in food prices. In 2027, inflation is projected to increase to 2.7% before moderating to 2.5% in 2028. While energy prices are expected to decline over the forecast horizon, the reversal of the temporary reduction in the electricity levy from 1 January 2028 is expected to exert upward pressure on domestic energy charges and inflation. Headline inflation excluding energy and food is forecast at 2.0% in 2026, increasing to 2.3% in 2027, before declining to 2.1% in 2028.

Diminishing government budget surplus

Denmark's budget surplus is set to decline to 1.1% of GDP in 2026, before falling further to 0.5% in 2027 and 0.3% in 2028. This is mainly due to increased government expenditures, particularly on defence and support for Ukraine. In 2026 and 2027 the budget revenue is set to be negatively affected by cuts in excise duties. Moreover, the continued roll-out of previously decided tax reforms implies lower tax rates in 2026 and 2027. The fiscal stance is expected to be clearly expansionary in 2026 and close to neutral in 2027 and 2028.

Continued government surpluses and nominal GDP growth are set to reduce the gross debt-to-GDP ratio from 27.2% in 2025 to 26.2% in 2026 and further down to 25.7% in 2027 and 25.2% in 2028.

Table III.23.1: **Main features of country forecast – DENMARK**

	2025			Annual percentage change					
	bn DKK	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		3118.5	100.0	1.1	1.1	3.9	3.5	**4.5**	**2.0**	**2.1**
Private Consumption		1344.0	43.1	1.1	-2.1	1.2	2.1	**2.3**	**1.9**	**2.2**
Public Consumption		717.0	23.0	1.0	0.1	1.2	2.1	**2.8**	**2.3**	**1.9**
Gross fixed capital formation		716.0	23.0	1.6	-2.7	9.8	-3.8	**-0.1**	**3.7**	**3.0**
Exports (goods and services)		2158.2	69.2	2.5	7.0	7.4	3.5	**6.4**	**3.2**	**2.9**
Imports (goods and services)		1820.3	58.4	2.9	2.0	7.1	-1.2	**3.0**	**4.1**	**3.3**
GNI (GDP deflator)		3197.2	102.5	1.2	1.1	4.0	3.2	**4.6**	**2.0**	**2.1**
Contribution to GDP growth:	Domestic demand			1.1	-1.5	3.1	0.5	**1.6**	**2.2**	**2.1**
	Inventories			0.1	-1.1	-0.1	-0.2	**0.2**	**0.0**	**0.0**
	Net exports			-0.1	3.7	0.8	3.2	**2.7**	**-0.2**	**0.0**
Employment				0.7	1.1	0.7	1.2	**0.5**	**0.4**	**0.3**
Unemployment rate (a)				5.9	5.1	6.2	6.4	**7.0**	**7.0**	**7.1**
Compensation of employees / head				2.3	3.7	4.5	3.3	**2.6**	**3.4**	**3.5**
Unit labour costs whole economy				1.8	3.7	1.3	1.0	**-1.3**	**1.8**	**1.6**
Saving rate of households (b)				6.7	14.8	14.3	14.9	**15.3**	**14.0**	**12.4**
GDP deflator				2.2	-2.9	3.4	1.0	**-1.6**	**1.5**	**2.1**
Harmonised index of consumer prices				1.7	3.4	1.3	1.8	**1.7**	**2.7**	**2.5**
Terms of trade goods				-0.2	4.8	3.2	-1.9	**-8.5**	**-2.3**	**0.3**
Trade balance (goods) (c)				3.9	7.4	9.3	10.4	**9.6**	**8.6**	**8.7**
Current-account balance (c)				6.6	9.7	11.2	12.3	**11.6**	**10.4**	**10.1**
General government balance (c)				0.8	3.5	4.1	2.9	**1.1**	**0.5**	**0.3**
Fiscal stance (c)				:	-1.6	1.2	-1.6	**-2.8**	**0.1**	**0.3**
Structural budget balance (d)				2.1	6.4	7.1	4.9	**2.0**	**1.7**	**1.6**
General government gross debt (c)				41.9	33.0	29.9	27.2	**26.2**	**25.7**	**25.2**

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

24. HUNGARY

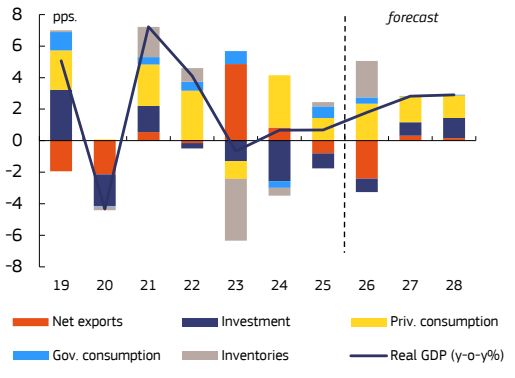
GDP is projected to grow by 1.8% in 2026 and by around 3% in 2027 and 2028, supported by sustained consumption growth and the recovery of investment and exports. HICP inflation is set to pick up from 2.2% in 2026 to 3.4% in 2027, driven by higher energy prices before declining to 3% in 2028. The general government deficit is projected to rise to 7.3% of GDP in 2026 and to decrease to 5.2% in 2027 on the back of a significant expenditure-based consolidation. The deficit is expected to remain above 5% in 2028 and the debt-to-GDP ratio is projected to increase to 78.2% by 2028.

The economy is recovering after a prolonged stagnation

In 2026-Q3, real GDP increased by 1.5% compared with the same period of the previous year. Industry and services supported growth, while agriculture contracted due to the prolonged summer drought. Overall, real GDP is expected to grow by 1.8% in 2026, with consumption as the main driver, while investment is projected to decline owing to cuts in public investment.

GDP growth is forecast to pick up to 2.8% in 2027 and to 2.9% in 2028. Consumption growth is set to remain strong, supported by sustained employment and wage growth, tax cuts for low-earners and an increase in social benefits. Investment is expected to pick up, helped by improved business sentiment, the decline in Hungary's risk premia and the restoration of access to EU funds following rule of law reforms. New assembly facilities in the automotive industry are expected to sustain export growth, despite moderating external demand. In turn, the current account is expected to remain negative, partly due to the resulting profit outflows for foreign firms.

Graph III.24.1: **Hungary - Real GDP growth and contributions**



The most significant downside risk to the outlook is a slowdown in exports, either due to weakness in the automotive and electronics sectors, or due to a loss of cost competitiveness amid high wage growth or currency appreciation. On the upside, better governance and a more predictable business environment could support stronger private investment and productivity growth.

Strong wage growth fuelled by a tightening labour market

Employment is forecast to further increase by 0.4% in 2026, driven by higher self-employment, while the unemployment rate will edge upwards, to around 4.6%, amid a declining labour force. Employment is expected to continue growing gradually as economic growth gains strength, while the unemployment rate is projected to decline to around 4.0% by 2028. At the same time, nominal wage growth is set to moderate from around 10% in 2026 to 6.8% in 2027, as the effect of public wage increases and the 11% minimum wage hike fade. Continued productivity gains in 2027 and 2028 are set to support wage growth. Nevertheless, wage growth is projected to remain elevated due to the tight labour market.

Currency appreciation moderated the inflationary impact of rising energy prices

HICP inflation declined from 4.4% in 2025 to 2.1% in September 2026, due to currency appreciation and temporary government price regulations. Inflation is set to increase in 2027, driven by rising energy and food inflation and an increase in excise duties on tobacco products in late 2026. It is expected to moderate in 2028, on the back of easing services inflation. However, the introduction of the ETS2 scheme is set to lift energy inflation in 2028.

Consolidation in 2027 to reduce the high budget deficit

In 2026, the budget deficit is projected to increase significantly to 7.3% of GDP, from 4.7% in 2025. The increase is driven by a 4pps. increase in expenditure to 51.6% of GDP. This is explained to some extent by the partial introduction of a 14th month pension, new housing support subsidies, and temporary measures totalling 1.5% of GDP, including a one-time bonus paid to military and law enforcement, tax repayments related to two EU Court of Justice decisions, and investments financed by RRF loans. Income tax revenue is projected to decline as a share of GDP due to the continued phase-in of the PIT exemption for mothers and an increase in the family tax allowance. Overall, the fiscal stance is expected to be strongly expansionary in 2026.

In 2027, the deficit is projected to narrow to 5.2% of GDP, as the 2026 temporary expenditures no longer affect the deficit and expenditure cuts are implemented across all ministries. New measures targeting households and corporations are expected to increase revenue. These include a new wealth tax, an increase in CIT and an increase in excise duties on tobacco and spirits, totalling 0.6% of GDP. Revenues are also set to benefit from the extension into 2027 of several sectoral corporate taxes and the suspension of the gradual phase-in of the PIT exemption for mothers. These measures are projected to help offset the new deficit-increasing measures, including pay rises in the public sector, a higher family allowance, a PIT reduction for low earners and pension increases, amounting to 1.5% of GDP. Overall, current expenditure is expected to fall by 0.4% of GDP. Interest expenditure is projected to decline as a share of GDP, as sovereign yields fell in the run-up to the April 2026 elections and have remained at that lower level. The fiscal stance is expected to be contractionary in 2027.

In 2028, the deficit is projected to remain elevated at 5.3% of GDP, in part due to the expiry of sectoral corporate taxes. The fiscal stance is expected to be expansionary in 2028.

The debt-to-GDP ratio is projected to increase over the forecast horizon from 74.4% in 2025 to 78.2% in 2028. The increase in 2026 mainly reflects the large deficit, alongside the RRF loans, despite a revaluation of foreign-denominated debt due to recent currency appreciation. In 2027 and 2028, the debt-to-GDP ratio is forecast to continue rising on the back of persistently high deficits.

Table III.24.1: **Main features of country forecast – HUNGARY**

	2025			Annual percentage change					
	bn HUF	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		87307.6	100.0	1.8	-0.7	0.7	0.7	**1.8**	**2.8**	**2.9**
Private Consumption		45501.8	52.1	1.8	-2.2	6.8	2.8	**4.5**	**3.1**	**2.7**
Public Consumption		18181.2	20.8	1.5	3.9	-2.1	3.6	**2.0**	**0.1**	**0.2**
Gross fixed capital formation		19274.3	22.1	2.5	-4.7	-9.8	-4.1	**-3.8**	**4.1**	**6.1**
Exports (goods and services)		63594.8	72.8	4.9	1.8	-0.3	0.7	**1.8**	**5.8**	**4.2**
Imports (goods and services)		59644.2	68.3	4.7	-3.4	-1.4	1.9	**5.5**	**5.5**	**4.1**
GNI (GDP deflator)		85624.5	98.1	2.1	-1.1	1.7	0.9	**1.8**	**2.8**	**2.8**
Contribution to GDP growth:		Domestic demand		1.8	-1.6	0.3	1.2	**1.9**	**2.5**	**2.8**
		Inventories		-0.2	-3.9	-0.5	0.3	**2.3**	**0.0**	**0.0**
		Net exports		0.3	4.9	0.8	-0.8	**-2.4**	**0.3**	**0.2**
Employment				0.9	0.6	-0.1	0.1	**0.4**	**0.3**	**0.3**
Unemployment rate (a)				6.8	4.1	4.5	4.4	**4.6**	**4.3**	**4.0**
Compensation of employees / head				4.7	15.1	12.9	8.7	**10.2**	**6.8**	**6.1**
Unit labour costs whole economy				3.7	16.6	12.1	8.1	**8.7**	**4.2**	**3.4**
Saving rate of households (b)				13.6	20.7	19.8	18.7	**18.9**	**18.2**	**17.9**
GDP deflator				4.5	15.1	7.5	6.4	**3.9**	**3.4**	**3.6**
Harmonised index of consumer prices				4.1	17.0	3.7	4.4	**2.2**	**3.4**	**3.0**
Terms of trade goods				-0.6	6.1	-1.0	1.2	**1.1**	**-0.3**	**0.4**
Trade balance (goods) (c)				-0.1	-0.5	-0.3	-0.8	**-2.6**	**-2.7**	**-2.4**
Current-account balance (c)				-1.2	-0.1	1.9	2.4	**-0.3**	**-0.4**	**-0.1**
General government balance (c)				-3.9	-7.0	-5.1	-4.7	**-7.3**	**-5.2**	**-5.3**
Fiscal stance (c)				:	3.6	3.2	-0.9	**-3.5**	**2.8**	**-0.4**
Structural budget balance (d)				-4.3	-6.8	-4.6	-4.0	**-6.4**	**-5.3**	**-6.0**
General government gross debt (c)				74.6	73.2	73.5	74.4	**77.3**	**77.7**	**78.2**

(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 at 3.5% in 2026 and to moderate to 2.7% in 2027 and 2028. In 2027, the positive contribution from investment growth, including from EU-funded projects, is set to fade, alongside weaker private consumption growth in the context of renewed inflation pressures. Inflation is forecast to increase from 3.3% in 2026 to 4.4% in 2027, and to moderate to 3.9% in 2028. The general government deficit is projected to remain elevated at above 7% of GDP over the forecast horizon. The debt-to-GDP ratio is set to increase to 73.5% of GDP in 2028, driven by high government deficits.

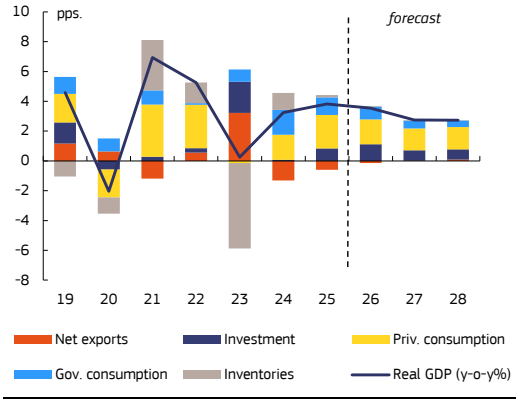
Growth to moderate over the forecast horizon

In 2026, real GDP is forecast to grow by 3.5%, slightly lower than in 2025. Economic growth is set to be driven primarily by private consumption, supported by robust growth of real disposable incomes. Investment is projected to contribute positively, reflecting a high absorption of EU funds and a pick-up in construction investment in the first half of the year. The negative contribution from net exports is set to narrow substantially compared to the previous year as signalled by the strong export performance in the first half of 2026.

In 2027, economic growth is projected to slow to 2.7%. Higher inflation, lower growth of real disposable income and weaker confidence are set to weigh on private consumption. The positive contribution from investment is forecast to decrease due to lower public investment. The contribution from net exports, slightly negative in 2026, is projected to become broadly neutral.

GDP growth is set to remain unchanged at 2.7% in 2028. Private consumption is projected to remain a key driver of growth, supported by a decline in the saving rate. Investment and public consumption are expected to add less to growth, while the contribution from net exports is set to increase slightly.

Graph III.25.1: **Poland - Real GDP growth and contribution**



Labour market to remain robust

Employment is projected to remain broadly stable over the forecast horizon. Demographic developments are expected to weigh on labour supply and to be only partly offset by an inflow of workers from abroad. The unemployment rate is expected to remain at around 3%. Growth of nominal compensation per employee is projected to edge down from 6.7% in 2026 to 6.3% in 2028. This reflects assumed smaller increases of the minimum wage and public sector salaries compared to previous years.

Inflation to increase amid energy price volatility

HICP inflation is projected to rise from 3.3% in 2026 to 4.4% in 2027, and to decrease to 3.9% in 2028. The immediate impact of the surge in global energy commodity prices in 2026 is mitigated by stable regulated household tariffs for electricity and gas and by a temporary reduction in fuel taxes. Inflation is set to rise in 2027 as energy support measures are assumed to end while gas and electricity tariffs are to be adjusted upwards. Inflation excluding energy and food is projected to remain broadly stable, at about 3% over the forecast horizon, as services inflation is forecast to moderate only very gradually amid continued robust wage growth and a limited pass-through from higher fuel prices. In 2028, an upward impulse to inflation comes again from the energy component with the entry into operation of ETS2.

Deficit to stay elevated

The general government deficit is projected to slightly decrease from 7.2% of GDP in 2025 to 7.1% of GDP in 2026. On the expenditure side, this development reflects lower nationally financed public investment combined with higher social benefits and increased debt servicing costs. On the revenue side, stronger revenues from taxes on income, partly reflecting tax increases, are offset by lower VAT and excise duty collections, due to the fuel tax cuts (-0.3% of GDP) and other factors weighing on revenue performance. An earlier delivery of military equipment could lead to a higher government deficit in 2026.

In 2027, the government deficit is forecast to remain unchanged at 7.1% of GDP. Nationally financed spending is set to increase largely due to rising debt servicing costs and defence expenditure. Government revenues are projected to increase due to the expiration of fuel tax cuts, increases in excise duties, and changes to the corporate income tax. Some of the revenue-increasing measures included in the budget face uncertainty in the national legislative process and, together with a possible further extension of lower fuel taxes, the balance of risks points to a higher deficit in 2027 and 2028.

In 2028, the government deficit is set to slightly increase to 7.2% of GDP, assuming unchanged policies. This mainly reflects a projected further growth of debt servicing costs and continued high defence expenditures.

The public debt is projected to increase from 59.6% of GDP in 2025 to 73.5% of GDP by 2028, mainly driven by high deficits. The stock-flow adjustments are projected to increase debt in 2026 and 2028, including due to the pre-financing of future defence equipment deliveries, and to reduce debt in 2027 as liquid cash reserves accumulated in the previous year are used.

Table III.25.1: **Main features of country forecast - POLAND**

	2025			Annual percentage change					
	bn PLN	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		3915.4	100.0	3.8	0.2	3.2	3.8	**3.5**	**2.7**	**2.7**
Private Consumption		2250.2	57.5	3.4	-0.3	2.9	3.9	**2.9**	**2.6**	**2.6**
Public Consumption		834.9	21.3	2.8	4.5	8.7	5.7	**4.0**	**2.4**	**2.0**
Gross fixed capital formation		677.6	17.3	3.7	12.7	0.4	4.9	**6.5**	**3.9**	**3.8**
Exports (goods and services)		1957.6	50.0	6.2	3.7	1.9	5.5	**5.5**	**3.4**	**2.7**
Imports (goods and services)		1850.7	47.3	5.8	-1.5	4.6	7.1	**6.1**	**3.5**	**2.6**
GNI (GDP deflator)		3771.6	96.3	3.7	0.1	4.0	3.5	**3.7**	**2.9**	**2.8**
Contribution to GDP growth:		Domestic demand		3.4	2.8	3.4	4.3	**3.6**	**2.7**	**2.6**
		Inventories		0.3	-5.7	1.1	0.2	**0.0**	**0.0**	**0.0**
		Net exports		0.2	3.2	-1.3	-0.6	**-0.1**	**0.0**	**0.1**
Employment				1.2	0.1	-0.6	0.1	**0.0**	**0.1**	**0.0**
Unemployment rate (a)				7.0	2.8	2.9	3.1	**3.1**	**3.1**	**3.0**
Compensation of employees / head				5.4	14.4	13.0	7.9	**6.7**	**6.4**	**6.3**
Unit labour costs whole economy				2.7	14.2	8.7	4.0	**3.0**	**3.7**	**3.5**
Saving rate of households (b)				6.4	4.8	8.9	9.0	**9.1**	**8.6**	**8.4**
GDP deflator				2.9	9.9	4.1	2.8	**2.5**	**3.3**	**3.7**
Harmonised index of consumer prices				3.0	10.8	3.7	3.3	**3.3**	**4.4**	**3.9**
Terms of trade goods				0.3	1.7	-0.9	-1.6	**-2.2**	**-0.2**	**1.2**
Trade balance (goods) (c)				-2.3	0.6	-0.8	-1.5	**-2.4**	**-2.4**	**-1.8**
Current-account balance (c)				-2.8	1.5	0.3	-1.0	**-2.0**	**-2.0**	**-1.5**
General government balance (c)				-3.5	-5.2	-6.4	-7.2	**-7.1**	**-7.1**	**-7.2**
Fiscal stance (c)				:	-0.8	-1.7	-1.4	**-0.5**	**2.0**	**0.3**
Structural budget balance (d)				-2.6	-4.7	-6.0	-7.1	**-7.3**	**-7.0**	**-7.0**
General government gross debt (c)				51.2	49.5	54.8	59.6	**67.7**	**70.1**	**73.5**

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

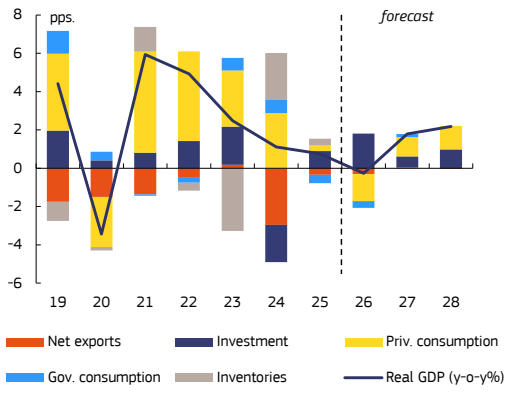
26. ROMANIA

After subdued growth in 2025, the Romanian economy is expected to contract somewhat in 2026 as fiscal consolidation is weighing on private consumption. RRF-backed public investment has accelerated, partly offsetting weak consumer demand. A recovery in private and public consumption, together with a gradual pick-up in private investment is expected to lift real GDP growth to around 2% in 2027 and 2028. The offshore Neptun Deep gas project and increased cost competitiveness are set to support exports, reducing the external deficit further. The unemployment rate is forecast to decline again as the economic recovery picks up in 2027, while inflation is set to moderate after high levels recorded in 2026. The general government deficit is projected to narrow from 6% of GDP in 2026 to 5.6% of GDP in 2028, while the debt-to-GDP ratio is set to increase to 64% by 2028, as government deficits still outpace nominal GDP growth.

Economy set to exit a mild recession in 2027

Following necessary fiscal consolidation measures, Romania's economic activity declined in the last quarter of 2025 and in the first half of 2026. Private consumption fell by more than 2% on the back of frozen public wages and pensions, while inflation at almost 10% reduced disposable income. Private investment was dampened by a prolonged period of political instability, economic uncertainty and rising energy costs. In the second half of 2026, economic activity is expected to stabilise thanks to a gradual recovery in household demand, resilient exports and still strong gross fixed capital formation, in in part due to the finalisation of RRP projects. For the whole of 2026, real GDP is projected to contract by around 0.3%.

Graph III.26.1: **Romania - Real GDP growth and contributions**



In 2027, falling inflation and some increases in pensions and public wages are projected to support real disposable income, economic sentiment and private consumption. However, growth of gross fixed capital formation is forecast to decelerate as the effect of RRP investments subsides. At the same time, higher absorption of EU cohesion funds and an expected stabilisation and recovery of private investment, backed by increased confidence thanks to lower political uncertainty, are projected to support investment. Overall, real GDP is set to grow by 1.8% in 2027 and accelerate further to 2.2% in 2028. With inflation declining, monetary policy is expected to be eased over the forecast horizon, yielding more favourable financing conditions and supporting credit growth. The start of natural gas exploitation at the Neptun Deep project is expected to support real GDP growth while reducing the current account deficit, with a more pronounced effect in 2028. Over the forecast horizon, the current account deficit is projected to decline steadily to less than 6% of GDP in 2028.

Risks to the growth forecast are tilted to the downside. A resurgence of political instability could hamper medium-term fiscal consolidation, erode confidence and private investment. In addition, uncertainty regarding external demand, in particular for the automotive sector, and concerns over high energy prices remain a challenge for the manufacturing sector.

Rising unemployment and wage growth moderation

Labour market conditions started to deteriorate already in 2025 amid subdued economic activity. The decline in employment which led to a pick-up in the unemployment rate is set to continue also in 2026. The unemployment rate is projected to peak at around 6.7% in 2026 and decline gradually over the forecast horizon in line with the rebound in economic activity. Following the two-year public wage freeze in 2025 and 2026, nominal wage growth decelerated rapidly, while

real wages declined in these years. Wage growth moderation is expected to continue over the forecast horizon, keeping the growth of real unit labour costs low and supporting external competitiveness.

Protracted decline in inflation

Inflation accelerated in the second half of 2025, driven by the rise in VAT and excises, together with the elimination of the cap on electricity prices for households. Price increases were further exacerbated in 2026 by the surge in global oil prices and the severe drought impacting the electricity market. Average HICP inflation is projected to increase to 7.9% in 2026 after 6.8% in 2025. Despite a gradual decline in global oil prices, underlying inflationary pressures are expected to dissipate slowly in 2027, keeping the HICP inflation rate at 4.4% on average, above the central bank target band (2.5% +/-1 pp). The introduction of the ETS2 in 2028 is expected to slow the disinflation process, with average HICP inflation only decelerating to 3.8%.

Government deficit to remain high

Romania's government deficit is projected to decline to 6.0% of GDP in 2026, from 7.8% of GDP in 2025. This reflects the impact of the fiscal consolidation measures undertaken in the second part of 2025 and strict control in budget execution so far this year. Current expenditure as a share of GDP is set to decline by around 1 pp. of GDP this year, driven by the nominal freeze in pensions and public wages. On the revenue side, the implementation of tax increases adopted in 2024 and 2025 (VAT, property taxation, health contribution) is set to increase revenue by 1.2 pps. of GDP.

In 2027, the deficit is projected to decline to 5.8% of GDP, driven by continued control over current spending and lower public capital expenditure after the end of the RRF, in particular its grant support. Defence expenditure is set to increase over the forecast horizon from 1.7% of GDP in 2025 to 2.2% of GDP in 2028, supported by loans under the Security Action for Europe (SAFE) programme. Government debt is forecast to increase from about 59% of GDP in 2025 to around 64% of GDP in 2028, mostly driven by high government primary deficits and interest payments.

Table III.26.1: **Main features of country forecast – ROMANIA**

	2025			Annual percentage change					
	bn RON	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		1929.9	100.0	3.0	2.5	1.1	0.8	**-0.3**	**1.8**	**2.2**
Private Consumption		1160.8	60.1	3.9	4.7	4.7	0.5	**-2.3**	**1.7**	**2.1**
Public Consumption		337.1	17.5	1.7	4.0	4.1	-2.4	**-2.0**	**1.0**	**0.0**
Gross fixed capital formation		485.8	25.2	3.6	7.7	-7.3	3.6	**7.2**	**2.1**	**3.6**
Exports (goods and services)		679.4	35.2	8.4	-1.3	-3.3	4.2	**2.0**	**3.0**	**2.7**
Imports (goods and services)		776.9	40.3	8.2	-1.5	3.8	4.5	**2.6**	**2.5**	**2.5**
GNI (GDP deflator)		1880.6	97.4	3.0	3.0	1.3	0.5	**-0.4**	**2.0**	**2.0**
Contribution to GDP growth:		Domestic demand		3.9	5.6	1.6	0.8	**0.1**	**1.7**	**2.2**
		Inventories		-0.2	-3.3	2.4	0.4	**0.0**	**0.0**	**0.0**
		Net exports		-0.6	0.2	-3.0	-0.3	**-0.3**	**0.1**	**0.0**
Employment				-0.5	-1.2	1.9	-3.8	**-0.9**	**0.5**	**0.7**
Unemployment rate (a)				7.3	5.6	5.4	6.1	**6.7**	**6.4**	**5.8**
Compensation of employees / head				8.5	20.3	8.1	8.7	**5.2**	**6.3**	**5.1**
Unit labour costs whole economy				4.8	16.0	9.0	3.8	**4.5**	**4.9**	**3.6**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				5.9	12.4	10.1	8.4	**8.6**	**5.4**	**4.8**
Harmonised index of consumer prices				4.0	9.7	5.8	6.8	**7.9**	**4.4**	**3.8**
Terms of trade goods				0.9	1.3	2.3	0.7	**1.0**	**0.6**	**1.4**
Trade balance (goods) (c)				-8.2	-9.0	-9.3	-8.5	**-8.2**	**-7.9**	**-7.3**
Current-account balance (c)				-5.3	-6.7	-8.1	-7.4	**-7.0**	**-6.3**	**-5.8**
General government balance (c)				-4.6	-6.6	-9.2	-7.8	**-6.0**	**-5.8**	**-5.6**
Fiscal stance (c)				:	0.6	0.1	2.0	**2.9**	**1.4**	**0.2**
Structural budget balance (d)				-3.7	-6.4	-8.7	-7.1	**-5.0**	**-5.0**	**-5.1**
General government gross debt (c)				34.1	49.4	54.6	58.9	**60.7**	**62.6**	**64.2**

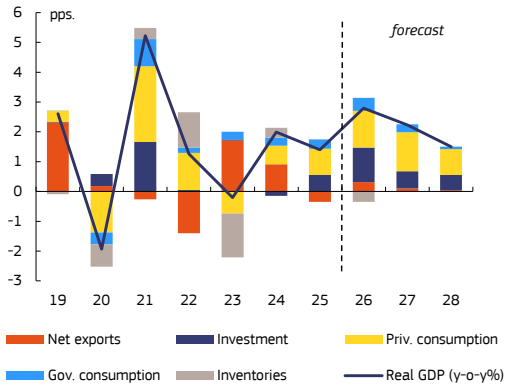
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

27. SWEDEN

Real GDP growth is projected to reach 2.8% in 2026, reflecting a broad-based upturn in domestic demand. Growth is expected to moderate over the forecast horizon and reach 1.5% in 2028 as higher inflation and interest rates, coupled with expiry of fiscal support measures, is set to dampen growth in household disposable income. Inflation is expected to increase to 2.8% in 2027 and reach 2.4% in 2028 as tax cuts expire and energy and import prices rise. The labour market is set to follow the expansion in economic activity with a lag, although unemployment remains elevated. Driven by lower taxes and continued strong investment, notably in defence, the general government deficit is projected to widen to 2.1% of GDP in 2026, before falling to 1.4% of GDP in 2027 and 0.9% of GDP in 2028. The gross debt-to-GDP ratio is forecast to stabilise at around 35% over the forecast horizon.

Domestic-demand-driven expansion slows

Graph III.27.1: **Sweden - Real GDP growth and contributions**



Real GDP growth is set to accelerate in 2026, driven by broad-based strength in domestic demand. Gains in real household income, supported by low inflation and substantial pro-cyclical fiscal easing are expected to drive strong private consumption growth. Private investment, including in data centres, is underpinned by healthy profitability and muted wage costs. In 2027 and 2028, the pace of the expansion is expected to moderate as higher inflation and increases in interest rates are set to dampen domestic demand. Defence expenditure, including on investment items, is projected to grow dynamically over the forecast horizon. Terms of trade losses and a challenging international environment are expected to limit the contribution of exports to economic activity. Overall, real GDP growth is forecast to moderate from 2.8% in 2026 to 2.2% in 2027 and 1.5% in 2028.

Labour market to follow economic activity with a lag

The recent economic recovery has largely been productivity-driven, allowing firms to expand production without markedly increasing employment. In 2026, employment gains are being mainly limited to government agencies and regional and local governments. Unemployment is expected to fall over the forecast horizon as the output gap closes and the economic recovery becomes more self-sustaining, prompting firms to expand employment. With employment strengthening, the unemployment rate is projected to fall gradually to 7.7% in 2028. Some of measured unemployment is due to students who are seeking part-time and holiday jobs while remaining in full-time education. Despite accounting for these measurement-related factors, structural unemployment is set to remain elevated, partly due to persistent skills mismatches and gaps in the education system.

Inflation dynamics affected by interactions of fiscal factors and import prices

Over the forecast period, consumer price inflation is shaped by changes in taxation, energy and import prices and their interaction. Temporary tax reductions, notably for liquid fuel, helped contain energy prices in 2026. The largest temporary reduction in taxes on liquid fuels is set to expire in December 2026. Temporary lower prices for monthly public transport passes are to end at the same time. The temporary decrease in VAT on food from 12% to 6% from April 2026 has led to appreciably lower food prices, but this measure is set to expire on 1 January 2028. The lagged impact of higher energy prices is also expected to add to inflation in 2027 and 2028. However, gains in negotiated wages are projected to remain stable at just above 3% throughout the forecast

horizon, limiting overall price pressures. Overall, HICP inflation is forecast to average 1.3% in 2026 and to increase to 2.8% in 2027 before falling to 2.4% in 2028 as input cost increases, including from energy, are projected to moderate.

General government deficit to fall modestly

The general government deficit is set to increase to 2.1% of GDP in 2026. The expansive fiscal stance is partly due to higher spending on defence and support to Ukraine, but also to sizeable cuts in tax rates on petrol and diesel. The increase in the deficit has further been driven by other measures on the revenue side, notably lower income taxes, the VAT reduction on food, and housing-related tax expenditures.

In 2027, the general government deficit is projected to decrease to 1.4% of GDP. In the follow-up to the recent general elections, the draft 2027 budget has not been presented to the Swedish Parliament before the cut-off date of the forecast. Interest payments are set to rise in 2027 and 2028 in view of higher interest rates. Against this backdrop and in the absence of additional spending plans and the expiry of the food VAT reduction, the deficit is forecast to fall to just below 1% of GDP in 2028. The debt-to-GDP ratio is set to remain broadly stable over the forecast horizon and is projected to reach 35% by 2028.

Table III.27.1: **Main features of country forecast – SWEDEN**

	2025			Annual percentage change					
	bn SEK	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		6644.1	100.0	1.7	-0.2	2.0	1.4	**2.8**	**2.2**	**1.5**
Private Consumption		3054.8	46.0	2.1	-1.6	1.4	2.0	**2.7**	**2.8**	**1.9**
Public Consumption		1735.4	26.1	1.2	1.0	1.0	1.2	**1.7**	**1.0**	**0.3**
Gross fixed capital formation		1658.4	25.0	2.3	0.1	-0.6	2.2	**4.7**	**2.2**	**2.0**
Exports (goods and services)		3502.1	52.7	2.8	2.6	2.9	3.7	**4.1**	**2.2**	**1.9**
Imports (goods and services)		3333.6	50.2	3.7	-0.6	1.4	4.6	**3.7**	**2.1**	**1.9**
GNI (GDP deflator)		6965.3	104.8	1.8	0.4	2.0	1.4	**3.0**	**2.5**	**1.8**
Contribution to GDP growth:	Domestic demand			1.9	-0.4	0.8	1.7	**2.8**	**2.1**	**1.5**
	Inventories			0.1	-1.5	0.3	0.0	**-0.3**	**0.0**	**0.0**
	Net exports			-0.3	1.7	0.9	-0.3	**0.3**	**0.1**	**0.0**
Employment				1.2	1.2	-0.3	-0.1	**0.5**	**0.5**	**0.6**
Unemployment rate (a)				7.6	7.7	8.4	8.8	**8.6**	**8.2**	**7.7**
Compensation of employees / head				3.0	5.3	4.9	1.2	**3.5**	**3.6**	**3.8**
Unit labour costs whole economy				2.5	6.8	2.5	-0.3	**1.2**	**1.8**	**2.9**
Saving rate of households (b)				14.5	17.1	18.7	16.0	**15.4**	**14.2**	**14.2**
GDP deflator				2.3	5.8	2.8	1.7	**1.4**	**2.4**	**2.1**
Harmonised index of consumer prices				1.9	5.9	2.0	2.6	**1.3**	**2.8**	**2.4**
Terms of trade goods				0.2	0.5	0.7	-0.6	**-2.9**	**-0.6**	**-0.4**
Trade balance (goods) (c)				3.9	4.4	5.1	4.6	**3.1**	**2.9**	**2.6**
Current-account balance (c)				4.5	6.0	6.8	5.7	**5.2**	**5.3**	**5.3**
General government balance (c)				-0.1	-1.0	-1.6	-1.6	**-2.1**	**-1.4**	**-0.9**
Fiscal stance (c)				:	-0.2	-0.4	0.5	**-1.4**	**0.5**	**0.8**
Structural budget balance (d)				0.0	0.2	-0.6	-0.4	**-1.6**	**-1.1**	**-0.5**
General government gross debt (c)				40.1	32.3	34.0	35.1	**35.5**	**35.3**	**35.0**

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

Candidate Countries

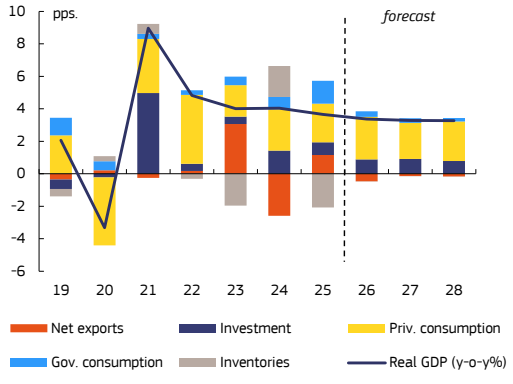
28. ALBANIA

Albania's economic growth is expected to moderate slightly, from 3.4% in 2026 to 3.3% in both 2027 and 2028. Higher inflation, slower growth in key EU partners and a tightening labour supply are set to weigh on activity, while private consumption and investment are expected to be the main drivers of growth. Inflation is projected to peak in early 2027, driven by higher food and import prices, before returning to the central bank's target of 3% in 2028. Tourism-led services exports are forecast to keep growing, albeit at a slower pace, while the current account deficit is set to widen from its 2025 historical low as the services surplus narrows and goods exports weaken. The general government deficit is set to edge up to around 2% of GDP before narrowing in 2028, while public debt continues to decline to around 49% of GDP in 2028.

Growth set to moderate but remain solid

Economic activity remained solid in 2025, with real GDP increasing by 3.7%. Despite global uncertainty, the economy stayed resilient in the first half of 2026, growing by around 3.6-3.7% y-o-y. Domestic demand remained the main growth driver. Private consumption was robust, underpinned by marked real wage growth and credit expansion. Investment growth slowed but is expected to pick up in the second half of the year. Services exports continued to expand, while goods exports recovered after three years of decline, driven by metals and energy, the latter supported by favourable hydropower conditions. Construction and services expanded, but agriculture kept contracting and industry remained weak, while manufacturing continued to decline.

Graph III.28.1: **Albania - Real GDP growth and contributions**



Growth is projected at 3.4% in 2026 and is set to moderate to 3.3% in 2027 and 2028 amid higher inflation, slower growth in key EU partners and tightening labour supply. Private consumption is expected to grow steadily, driven by rising wages, low unemployment, and favourable credit conditions, although higher inflation is expected to weigh on incomes, particularly in 2027. Investment is forecast to remain robust, underpinned by credit expansion and inflows from the EU Reform and Growth Facility, though persistent under-execution of public investment remains a risk. Tourism is projected to remain a key driver, although its growth rate is set to slow as the sector matures. The current account deficit is projected to widen from its historical low in 2025, as weaker goods exports and a shrinking services surplus cause import growth to outpace exports. It is however expected to remain fully covered by FDI inflows.

As a small open economy, Albania faces external risks from global uncertainty and geopolitical tensions, which are expected to affect growth through key trading partners in the EU. Domestic risks include the concentration of growth in tourism, construction and real estate, vulnerability to weather shocks, and contingent liabilities. Progress in EU accession negotiations is an upside risk to growth, notably through improved economic sentiment.

Employment set to recover modestly amid labour supply constraints

After two years of improvement, the employment rate declined slightly in the first half of 2026, amid continued emigration and population ageing. Labour is shifting away from agriculture towards services, while foreign workers are increasingly filling shortages. Employment is expected to recover moderately over 2027-28, with participation rising as a result of higher wage growth, although wage growth is expected to ease as the impact of the minimum wage increase fades.

After reaching a record low in 2025, the unemployment rate is expected to remain stable, although youth unemployment picked up again in the first half of 2026.

Inflation temporarily above target

After two years of contained inflation in 2024 and 2025, price pressures strengthened in 2026. Driven by rising food, transport and housing prices, consumer price inflation rose above the Bank of Albania's 3% target, reaching 3.4% in July. Domestic pressures stemmed from strong wage growth and the rental market, where a shift from long- to short-term rentals pushed up rents and core inflation. The pass-through of higher energy prices linked to the Middle East conflict was partly contained by the continued appreciation of the lek and well-anchored inflation expectations. The Bank of Albania has kept its policy rate at 2.5% since July 2025. Inflation is expected to peak in early 2027 on higher food prices and imported inflation, before returning to target in 2028 as oil and food prices normalise.

Fiscal deficit to edge up before narrowing in 2028

In 2025, the general government deficit widened to 1.8% of GDP, while remaining below the target. In the first nine months of 2026, revenue grew strongly, in line with the plan, while expenditure was slightly below plan, with capital expenditure reaching 75.2% of the budgeted amount.

Looking ahead, the deficit is projected to widen slightly to around 2% of GDP in 2026 and 2027, remaining below the authorities' target of 2.3%, before narrowing in 2028. The primary balance is expected to remain neutral or in slight surplus over the forecast horizon, in line with the fiscal rule. Public debt fell below 53% of GDP in 2025 and is projected to keep declining through 2028, supported by favourable nominal GDP growth.

Graph III.28.2: **Albania - General government budget balance and gross debt**

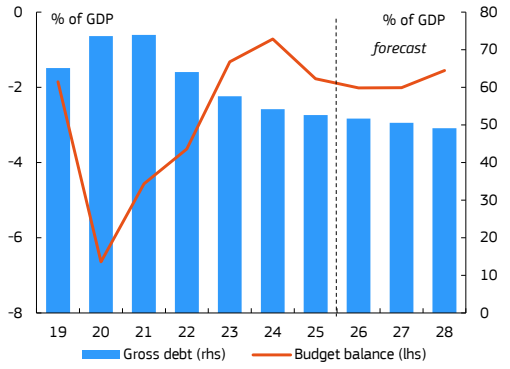


Table III.28.1: **Main features of country forecast - ALBANIA**

	2025			Annual percentage change						
	bn ALL	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		2652.2	100.0	3.2	4.0	4.0	3.7	**3.4**	**3.3**	**3.3**
Private Consumption		1829.8	69.0	3.1	2.7	3.7	3.4	**3.8**	**3.2**	**3.5**
Public Consumption		350.8	13.2	3.4	4.4	6.0	11.4	**2.6**	**2.2**	**1.7**
Gross fixed capital formation		631.9	23.8	1.6	1.7	5.8	3.3	**3.7**	**3.9**	**3.4**
Exports (goods and services)		947.3	35.7	5.9	8.6	0.1	7.4	**4.1**	**3.7**	**3.5**
Imports (goods and services)		1086.6	41.0	3.7	0.2	6.0	3.6	**4.7**	**3.5**	**3.5**
GNI (GDP deflator)		2639.7	99.5	:	4.7	4.1	4.0	**3.5**	**2.8**	**3.0**
Contribution to GDP growth:		Domestic demand		3.3	2.9	4.7	4.6	**3.8**	**3.4**	**3.4**
		Inventories		0.1	-2.0	1.9	-2.1	**0.0**	**0.0**	**0.0**
		Net exports		-0.1	3.1	-2.6	1.2	**-0.5**	**-0.1**	**-0.2**
Employment				2.6	1.5	1.4	1.1	**0.0**	**0.3**	**0.3**
Unemployment rate (a)				14.2	9.5	8.5	8.5	**8.4**	**8.5**	**8.5**
Compensation of employees / head				:	16.2	10.5	:	:	:	:
Unit labour costs whole economy				:	13.4	7.7	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				2.3	5.7	2.3	1.6	**2.9**	**3.2**	**2.9**
Consumer price index				:	4.8	2.2	2.1	**3.1**	**3.4**	**3.0**
Terms of trade goods				0.3	0.6	7.2	0.5	**-0.2**	**-0.2**	**0.0**
Trade balance (goods) (c)				-24.0	-21.2	-22.3	-21.1	**-20.6**	**-20.1**	**-19.8**
Current-account balance (c)				-7.5	-1.3	-2.5	-0.7	**-1.0**	**-1.7**	**-2.0**
General government balance (c)				6.2	-1.3	-0.7	-1.8	**-2.0**	**-2.0**	**-1.6**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				64.8	57.6	54.2	52.6	**51.7**	**50.5**	**49.1**

(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

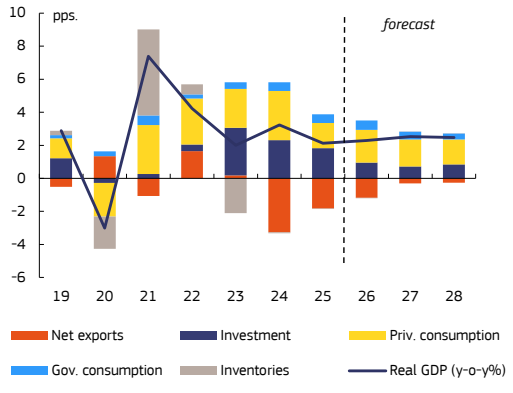
Economic output is forecast to grow by 2.3% in 2026, supported by solid domestic demand but constrained by weak external demand. In the first half of 2026, output growth remained stronger than expected, at 2.3% y-o-y, reflecting high real wage growth and higher public spending. However, inflation remained high. In 2027 and 2028, GDP growth is projected to pick up slightly, with domestic demand expected to benefit from declining inflation, but external demand projected to remain subdued. Labour shortages are expected to remain significant, keeping wage increases above productivity growth and thereby weakening the country's price competitiveness.

Economic growth to remain moderate

Economic output rose by 2.3% in the first half of 2026, mainly due to strong private consumption, which reflected strong real wage growth and higher public spending in the run-up to the October general elections. Investment growth remained subdued amid elevated uncertainties related to the current geopolitical situation and the outcome of the elections. Net financial inflows, largely in the form of transfers — in particular remittances —remained stable, at nearly 10% of GDP. The current-account deficit widened slightly, mainly due to lower export revenues. Net inflows of foreign direct investment were also slightly lower than a year earlier.

Over the forecast period, economic growth is projected to remain muted. This reflects subdued external and domestic demand, as well as the impact of delayed structural reforms, which could gradually hamper the country's international competitiveness. Private consumption is expected to expand modestly, supported by solid growth in real disposable income. Export growth is also expected to remain subdued, both due to moderate growth in the country's key export markets and to deteriorating price competitiveness resulting from recent wage increases outpacing productivity growth. Overall, GDP growth is expected to remain stable in the second half of 2026, before picking up slightly in 2027 and 2028 as inflationary pressures and geopolitical uncertainties are expected to ease.

Graph III.29.1: **Bosnia and Herzegovina - Real GDP growth and contributions**



Short-term risks are tilted to the upside, while medium-term risks are on the downside. A swift formation of the new governments might improve business and consumer confidence and contribute to stronger growth in the near term. However, a lengthy process and delays in pursuing needed structural reforms could result in a growth trajectory which remains below the country's potential.

A shrinking labour supply affects the labour market

Registered employment growth came to a standstill in the first half of 2026, reflecting declining employment in mining and agriculture, while trade and tourism still registered employment gains. The number of unemployed persons kept declining, partly due to continued labour market exits. Slow output growth is projected to accelerate labour shedding in some sectors, such as manufacturing. At the same time, a continued outflow of qualified workers is expected to lead to labour shortages in certain sectors such as construction and healthcare. This is set to fuel further wage increases, outpacing productivity growth.

Inflation to benefit from lower import prices

Inflation accelerated from 4% in 2025 to 4.6% in the first eight months of 2026, mainly driven by higher prices of food, restaurants, hotels, and health services. Meanwhile, nominal wages rose by 8.6% in the first eight months of 2026, which translates into real wage growth of some 4%, still significantly above productivity growth. With labour market shortages in some sectors persisting, wage pressures are expected to remain high. Adding to inflationary pressures, the delayed effects of higher energy prices due to the conflict in the Middle East are set to keep consumer price inflation elevated in 2026. However, the expected decline in energy prices in 2027 and 2028 is set to help bringing down inflation in that period.

Public finances to deteriorate in 2026 and 2027

In 2026, the deficit as a percentage of GDP is forecast to increase markedly, from 2.0% in 2025 to around 4% in 2026. In view of strong revenue increases resulting from higher wages and prices, spending plans for 2026 have been revised upwards even more, in particular in the *Republika Srpska* entity. Public sector wages, pensions and social transfers have increased even further, partly in connection with the general elections in October. Due to the permanent nature of many of the adopted spending measures and so far absent concrete plans for a sustainable financing of those measures, the general government deficit is expected to remain high. In 2027, lower nominal GDP growth is likely to lead to lower revenue growth, resulting in a further deficit increase. Those deficits will contribute to a rise in the country's debt-to-GDP ratio well above 30% by 2028. Limited compliance with EU accounting standards undermines the accuracy and reliability of public sector data.

Graph III.29.2: **Bosnia and Herzegovina - General government budget and gross debt**

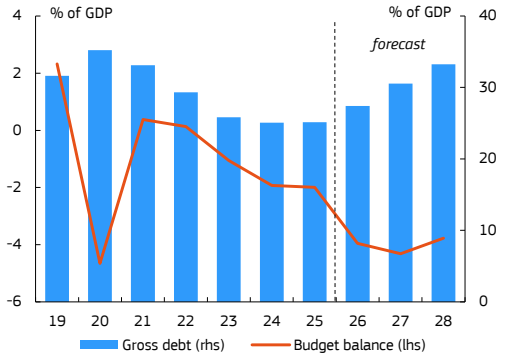


Table III.29.1: **Main features of country forecast - BOSNIA AND HERZEGOVINA**

	2025			Annual percentage change						
	bn BAM	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP (a)		57.6	100.0	2.4	2.0	3.2	2.1	**2.3**	**2.5**	**2.5**
Private Consumption (a)		37.6	65.3	1.3	3.5	4.4	2.3	**3.0**	**2.5**	**2.3**
Public Consumption (a)		10.7	18.7	1.3	2.1	2.8	2.8	**3.0**	**2.5**	**2.0**
Gross fixed capital formation (a)		13.9	24.2	3.4	13.0	10.2	7.8	**4.0**	**3.0**	**3.5**
Exports (goods and services) (a)		23.0	40.0	6.0	-1.2	-1.6	2.5	**3.0**	**2.7**	**2.5**
Imports (goods and services) (a)		31.0	53.9	3.5	-1.3	4.7	5.3	**4.4**	**2.5**	**2.3**
GNI (GDP deflator)		57.2	99.4	:	2.8	3.2	2.1	**2.3**	**2.5**	**2.5**
Contribution to GDP growth:		Domestic demand		2.2	6.0	6.5	4.4	**3.5**	**2.8**	**2.7**
		Inventories		0.3	-2.1	-0.1	0.0	**0.0**	**0.0**	**0.0**
		Net exports		0.5	0.2	-3.3	-1.8	**-1.2**	**-0.3**	**-0.3**
Employment				1.4	2.8	3.2	1.2	**-0.3**	**0.0**	**0.2**
Unemployment rate (b)				16.4	13.2	12.7	12.2	**11.8**	**11.5**	**11.0**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (c)				:	:	:	:	:	:	:
GDP deflator				:	9.5	2.4	4.7	**4.6**	**3.2**	**2.4**
Consumer price index				:	6.1	1.7	4.0	**5.0**	**3.7**	**2.8**
Terms of trade goods				:	-0.7	-0.2	0.0	**0.0**	**0.0**	**0.0**
Trade balance (goods) (d)				-25.6	-20.1	-21.8	-21.4	**-22.0**	**-21.8**	**-21.7**
Current-account balance (d)				-5.6	-2.3	-3.5	-3.9	**-5.0**	**-4.6**	**-4.6**
General government balance (d)				-0.6	-1.1	-1.9	-2.0	**-4.0**	**-4.3**	**-3.8**
Structural budget balance (e)				:	:	:	:	:	:	:
General government gross debt (d)				34.8	25.8	25.1	25.2	**27.4**	**30.5**	**33.2**

(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.

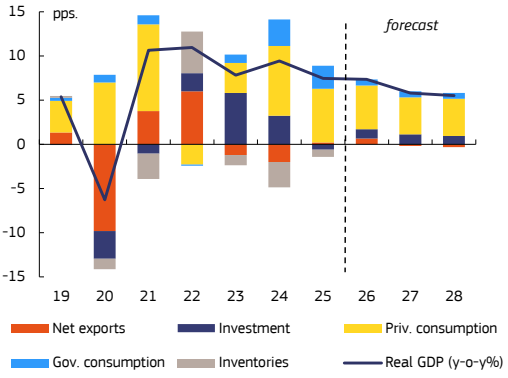
30. GEORGIA

Economic growth is expected to remain strong, exceeding 7% in 2026 and decelerating to 5.5%-6% in 2027 and 2028. Growth is anticipated to remain broad-based, with the main contribution from private consumption. Despite robust growth, unemployment is projected to remain high, indicating that significant structural labour market weaknesses persist. Inflation is set to pick up in 2026 due to rising energy prices, but price pressures are expected to ease in 2027. The general government deficit is set to remain low over the forecast horizon, between 1% and 2% of GDP, while public debt is forecast to decline to 33% of GDP this year and continue decreasing gradually over the forecast horizon.

Robust economic growth

GDP growth remained strong, reaching 7.8% in the first half of 2026, compared with 7.5% in 2025. Private consumption was the main driver of growth, supported by strong retail lending, higher remittance inflows and continued - albeit moderating - wage growth. Private investment also continued to expand. Merchandise exports increased markedly in the first half of 2026, driven largely by oil products, whose share rose from 1% to 12% following the opening of a new oil refinery. As imports grew at a slower pace over the same period, net exports contributed positively to GDP growth. On the supply side, growth was driven by services (mainly information technology, trade, transport and financial services) as well as by manufacturing, while output in agriculture and construction contracted. Overall, in 2026, GDP growth is projected to reach 7.3%.

Graph III.30.1: **Georgia - Real GDP growth and contributions**



Looking ahead, growth is projected to moderate towards its long-term potential of 5.5%–6% in 2027 and 2028. Growth is expected to remain broad-based across components, with private consumption making the largest contribution, supported by strong consumer lending and continued remittance inflows. Investment growth is also set to remain robust, underpinned by the expected recovery of delayed public projects and resilient private investment. The trade deficit is forecast to widen, as gradual improvements in export capacity are unlikely to offset the impact of rising imports driven by strong consumer and investment demand. However, the current account deficit is expected to remain below 3% of GDP, supported by increasing remittances and a surplus in services, particularly in ICT and tourism. The forecast is subject to both downside and upside risks resulting from both geopolitical developments and the domestic political situation. The duration and intensity of the Middle East conflict impact not only the energy prices, but also Georgia's tourism revenues and financial inflows from Israel and the Gulf region. An end to Russia's war of aggression against Ukraine could potentially reverse some of the gains for the country from migration and transit trade, but the benefits of greater regional stability could offset these effects.

Stagnant labour market

Labour market indicators remained broadly unchanged since 2025 and in contrast to steady improvements seen in the years up to 2024. This points to weak job creation despite robust economic growth and persistent informality. In the second quarter of 2026, the number of people employed remained unchanged compared with a year earlier, and the unemployment rate remained high at 13.8%. Significant structural weaknesses persist in the labour market, including a mismatch between workers' skills and business needs, as well as high youth unemployment. However, in the context of the ongoing reform of vocational education and employment services,

labour market indicators are expected to improve gradually. Real wage growth slowed from 6.7% in 2025 to 3.1% y-o-y in the first half of 2026, which was below productivity growth in the Georgian economy. It is projected to stay moderate in 2027 and 2028.

Temporary uptick in inflation

Consumer price inflation rose to 5.9% y-o-y in October 2026, up from 3.9% in 2025. The increase was driven mainly by a surge in global energy prices following the outbreak of conflict in the Middle East. Core inflation, excluding energy and food, remained significantly lower than CPI, at 4.0% in October 2026. In May 2026, the central bank raised its key policy rate by 25 bps. to 8.25%, marking the first increase in two years. Overall, inflation is projected to average 5.4% in 2026. As the current inflationary pressures are expected to ease gradually, inflation is forecast to return to the 3% target in the second half of 2027 and remain stable in 2028.

Low fiscal deficit and public debt

In the first eight months of 2026, general government revenue was 13% higher y-o-y, boosted by strong growth and higher inflation. Current expenditure rose by 10% over the same period, with the largest increase recorded in public sector wages. Capital expenditure fell by 3%, reflecting delays in public investment projects. The fiscal surplus in the first eight months of the year was higher y-o-y. Assuming the acceleration of public investment in the final months of 2026, the full-year fiscal deficit is projected to reach around 1.3% of GDP in 2026. The deficit is then expected to widen, notably as public investment is expected to gather pace, yet to remain below 2% of GDP in both 2027 and 2028. General government debt is forecast to decline to 33% of GDP by the end of 2026 and to continue on a slightly downward path in the following years, on the back of low fiscal deficits and robust nominal GDP growth.

Table III.30.1: **Main features of country forecast - GEORGIA**

	2025			Annual percentage change					
	bn GEL	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		104.6	100.0	:	7.8	9.4	7.5	**7.3**	**5.8**	**5.5**
Private Consumption		73.9	70.7	:	4.7	11.0	8.6	**7.0**	**6.0**	**6.0**
Public Consumption		14.5	13.8	:	7.5	24.7	19.6	**5.0**	**5.0**	**5.0**
Gross fixed capital formation		19.9	19.0	:	29.4	15.0	-2.8	**5.5**	**6.0**	**5.0**
Exports (goods and services)		49.6	47.4	:	9.5	5.9	7.0	**5.7**	**5.5**	**5.0**
Imports (goods and services)		55.7	53.2	:	10.0	8.5	5.7	**3.8**	**5.4**	**5.2**
GNI (GDP deflator)		97.5	93.2	:	6.8	9.9	8.1	**7.8**	**5.7**	**6.1**
Contribution to GDP growth:		Domestic demand		4.3	8.8	12.7	8.1	**6.7**	**6.0**	**5.8**
		Inventories		0.3	-1.1	-2.9	-0.8	**0.0**	**0.0**	**0.0**
		Net exports		-0.2	-1.2	-2.0	0.2	**0.7**	**-0.2**	**-0.3**
Employment				-1.4	4.0	5.1	-0.9	**0.0**	**1.0**	**1.0**
Unemployment rate (a)				21.4	16.4	13.9	13.9	**13.8**	**13.6**	**13.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	2.9	5.1	4.6	**6.1**	**3.4**	**3.0**
Consumer price index				5.2	2.5	1.1	3.9	**5.4**	**3.3**	**3.0**
Terms of trade goods				:	-8.3	5.2	2.2	**2.4**	**0.0**	**0.0**
Trade balance (goods) (c)				-22.4	-19.8	-19.2	-17.9	**-15.7**	**-15.5**	**-15.7**
Current-account balance (c)				-9.6	-5.5	-5.3	-3.3	**-1.9**	**-2.4**	**-2.4**
General government balance (c)				-2.3	-1.9	-2.1	-2.1	**-1.3**	**-1.8**	**-1.8**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				37.5	38.9	36.8	34.4	**33.0**	**31.9**	**31.2**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

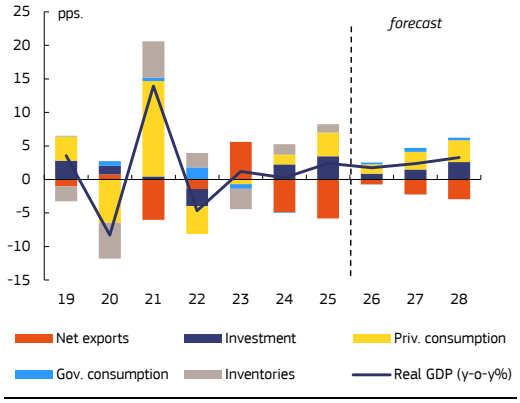
31. MOLDOVA

Economic growth is projected to moderate to 1.7% in 2026, with a good harvest partly cushioning growing inflationary pressures fuelled by the Middle East conflict and lower-than-expected investment under the Reform and Growth Facility. Growth is expected to strengthen gradually to 2.4% in 2027 and 3.3% in 2028, driven mainly by domestic demand. Private consumption is set to strengthen, reflecting rising real wages and remittances. Investment is forecast to accelerate, supported by tax incentives, other support measures and the Reform and Growth Facility. Net exports are expected to continue weighing on growth. The general government deficit is projected to further widen, reaching 5.1% of GDP in 2028, largely driven by the higher public sector wage bill and public investments. Government debt is set to increase to above 40% of GDP.

Economic growth slowing amid increased geopolitical risks and inflationary pressures

Economic growth slowed from 2.4% for the year 2025 to 0.6% for the first half of 2026. Private consumption remained robust, supported by rising real wages and remittances. Net exports contributed positively to growth, mainly due to higher agricultural exports. This was offset by weaker investment, reflecting subdued business sentiment, delays in the Reform and Growth Facility and state aid-supported investment, and a scaled-back real estate support programme.

Graph III.31.1: **Moldova - Real GDP growth and contributions**



Real GDP growth is forecast at 1.7% in 2026, as the impact of the Middle East conflict weighs on economic activity, notably through higher inflation, while a good harvest partly cushions the effect. Private consumption growth is set to remain robust, as high remittances, real wage growth and a one-off public salary increase for selected groups partly offset higher inflation. Private investment is projected to remain subdued amid tightening financing conditions. Exports are set to benefit from a good harvest, albeit dampened by the temporary reintroduction of import licensing for grains and seeds. In the first half of 2027, exports are expected to continue benefiting from the 2026 harvest, while persistently high inflation continues to weigh on domestic demand.

As the impact of energy price pressures fades from the second half of 2027 onwards, growth is projected to accelerate gradually driven by domestic demand. The public salary reform and higher pensions are set to sustain consumption, partly offset by higher inflation stemming from VAT and excises increases under the tax reform. Investment is set to recover, supported by the extension of the zero-income tax rate on reinvested profits and by higher State aid. Investments under the Reform and Growth Facility are expected to accelerate markedly in 2028. Exports are projected to increasingly benefit from reform-driven diversification, particularly in 2028, while stronger domestic demand is set to drive higher imports. Net exports are, thus, expected to continue weighing on growth. The current-account deficit narrowed slightly due to a lower trade deficit during the first half of 2026. It is forecast to narrow further but to remain wide, reflecting the large structural trade deficit. Recorded remittances have strengthened and are projected to remain high, driven by sustained emigration and a probable shift towards formal transfer channels following Moldova's integration into the Single European Payments Area (SEPA).

The forecast is subject to significant downside risks, including geopolitical risks linked to the Middle East conflict and Russia's war of aggression against Ukraine, as well as climate-related shocks, given the agriculture's prominent role. On the upside, stronger absorption capacity could speed up investment and reforms under the Facility and reduce vulnerability to external shocks.

Labour market to strengthen slowly amid gradual economic recovery

Following the EU alignment of labour statistics in 2026, labour market indicators are no longer comparable with previous years. Despite these caveats, labour market participation remains low, reflecting significant seasonal employment abroad, while the female activity rate remained more than 10 pps. below the male rate in the first half of 2026. As growth strengthens, employment is expected to increase and unemployment to decline, supported by tight labour market conditions and efforts to tackle undeclared work. Real wage growth remained robust at 2.3% y-o-y in 2026-Q2 and is expected to accelerate in 2027 on the back of the public wage reform.

Inflation to accelerate largely driven by high imported energy prices

Inflation has picked up markedly since the beginning of 2026, mainly reflecting price pressures stemming from the Middle East conflict and its impact on global energy markets. Inflation is forecast to increase to 8.2% in 2026, driven primarily by increases in regulated prices for energy and transport. The impact of higher energy costs for households is expected to be temporarily cushioned by energy in-bill support measures during winter 2026/27, while food price inflation is set to remain contained following a good harvest. Energy-related price pressures are projected to persist until mid-2027, with second-round effects lingering until the end of 2027. The tax reform and demand pressures from the public wage reform are set to add to inflationary pressures in 2027. Inflation is set to return to the National Bank of Moldova's target range of 5% ±1.5 pps. in 2028, as energy price pressures unwind and base effects from the tax reform fade.

Fiscal deficit set to widen due to higher personnel expenses and investments

The general government deficit is projected to widen to 4.6% of GDP in 2026, from 4% in 2025, below the 6% target set in the September supplementary budget. In the first eight months of 2026, revenue outperformed expectations, mainly due to higher-than-expected inflation, which offset lower international grants following exceptionally high energy related support from international partners in recent years. Expenditure remained under-executed, notably public investment under the Reform and Growth Facility. Over the forecast horizon, the budget deficit ratio is set to widen further as interest expenditure rises and personnel expenses linked to the public wage reform gradually increase. This is expected to be partly offset by net revenue gains from the tax reform and stronger growth, particularly in 2028. Public debt is projected to rise from 40.7% of GDP in 2026 to 43.8% in 2028, driven by persistently high budget deficits.

Table III.31.1: **Main features of country forecast – MOLDOVA**

	2025			Annual percentage change					
	bn MDL	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		353.5	100.0	:	1.2	0.3	2.4	**1.7**	**2.4**	**3.3**
Private Consumption		305.8	86.5	:	-0.8	1.7	4.2	**1.6**	**3.0**	**3.7**
Public Consumption		65.3	18.5	:	-4.0	-0.5	0.3	**1.5**	**3.0**	**2.0**
Gross fixed capital formation		77.9	22.0	:	0.0	11.6	16.9	**4.0**	**7.0**	**12.0**
Exports (goods and services)		112.2	31.8	:	4.8	-4.3	4.4	**9.1**	**7.5**	**8.5**
Imports (goods and services)		215.3	60.9	:	-5.1	5.7	12.6	**5.9**	**7.5**	**9.1**
GNI (GDP deflator)		353.7	100.0	:	2.3	-0.8	2.0	**1.7**	**2.4**	**3.3**
Contribution to GDP growth:		Domestic demand		2.6	-1.4	3.6	7.1	**2.5**	**4.7**	**6.2**
		Inventories		0.4	-3.0	1.6	1.2	**-0.1**	**-0.1**	**0.0**
		Net exports		-1.1	5.6	-4.9	-5.8	**-0.7**	**-2.2**	**-2.9**
Employment				:	2.8	-3.7	-6.3	**1.8**	**2.0**	**3.0**
Unemployment rate (a)				3.9	4.6	4.0	3.8	**6.9**	**6.6**	**6.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	9.3	6.4	6.6	**6.7**	**6.7**	**6.2**
Consumer price index				7.5	13.4	4.7	7.8	**8.2**	**6.9**	**5.1**
Terms of trade goods				:	-9.0	1.7	2.9	**-1.9**	**1.4**	**3.9**
Trade balance (goods) (c)				-29.2	-29.1	-30.9	-34.2	**-35.3**	**-36.2**	**-36.7**
Current-account balance (c)				-6.0	-11.3	-16.6	-20.0	**-20.3**	**-19.5**	**-18.8**
General government balance (c)				-2.1	-5.1	-3.9	-4.0	**-4.6**	**-5.2**	**-5.1**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				34.3	35.7	38.8	39.2	**40.7**	**42.4**	**43.8**

(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.

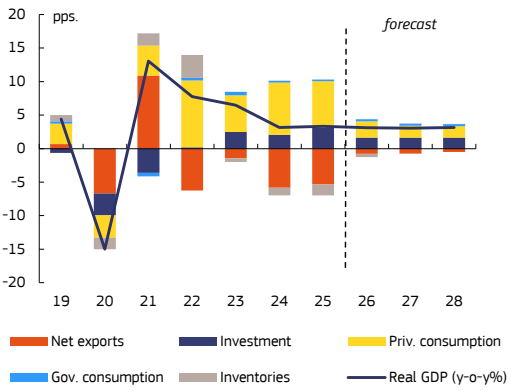
32. MONTENEGRO

Montenegro's economic growth continued at around 3% in the first half of 2026, supported by increasing investment and, despite some deceleration, private consumption. Growth is set to remain broadly stable at around 3% between 2026 and 2028. The revised budget targets a deficit of 3.7% of GDP in 2026 and the deficit is projected to exceed 3% of GDP throughout the forecast period, while public debt is set to remain above 60% of GDP. The four-quarter current account deficit rose above 20% of GDP in the year to 2026-Q2 and it is set to remain broadly unchanged until 2028. If adopted by the Parliament, the announced increase in fiscal stimulus and minimum wage could lead to a higher fiscal deficit, faster GDP growth and higher inflation.

GDP growth to remain steady, with upside risks from policy measures

Real GDP growth for 2025 was revised upwards from 2.7% to 3.3%. The economy expanded by 3.1% y-o-y in the first half of 2026, driven by an acceleration in investment to 6.6% y-o-y. Growth in private consumption slowed to 2.6% y-o-y, as the positive impact on disposable income from the implementation of the *Europe Now 2.0* programme in 2025 (which halved pension contributions and increased minimum wage) faded. Moreover, rising inflation constrained household purchasing power. Following a weak start into 2026, export growth turned positive in 2026-Q2, while high-frequency tourism data point to further improvement during the summer. Meanwhile, import growth remained weak.

Graph III.32.1: **Montenegro - Real GDP growth and contributions**



Under a no-policy-change assumption, economic growth is expected to remain stable in 2026-28, hovering at around 3%. A deceleration in private consumption is projected to be offset by a recovery in exports and robust investment growth, driven by the implementation of major road and railway projects. The very large current account deficit is expected to narrow only marginally in 2026-28, reflecting improving export performance, but to remain close to 20% of GDP.

The economic outlook may change significantly as a result of the announced 'Euro model' reform, adopted by the government in September. This foresees the complete elimination of pension contributions and a substantial tiered increase in minimum wages based on education level. If adopted by the Parliament and implemented as currently planned, the reform would lead to a sharp rise in disposable income, boost private consumption, and trigger a surge in imports in 2027. In this case, GDP growth could exceed 6% in 2027 but revert to some 3% in 2028.

The balance of risks is tilted to the upside. While an uncertain global environment continues to pose downside risks, along with a slower-than-expected recovery in exports and volatile energy prices, the implementation of the *'Euro Model'* measures presents a significant upside risk for GDP growth and inflation, potentially leading to overheating in the economy, high risk to fiscal sustainability and increased external vulnerabilities. Progress in EU accession negotiations is an upside risk to growth, notably through improved economic sentiment.

Declining unemployment

Employment gains, partly supported by the reduction of informal employment and sustained GDP growth, continued into 2026, with the unemployment rate declining to a new low of 9.4% in 2026-Q2. Employment growth is expected to continue in 2027-28, albeit at a diminishing rate.

External prices drive inflation

Inflation accelerated over the course of 2026, rising from 2.9% y-o-y in January to 5.2% y-o-y in September. The main drivers were prices of transport, accommodation, and alcoholic beverages. Inflation is expected to remain elevated in 2026 mainly due to external price pressures, although fuel price controls help to cushion the pass-through of higher oil prices to households, before moderating in 2027-28.

Budget deficits to persist

From January to August 2026, the budget recorded a deficit of 1.7% of projected GDP, up from 0.9% in the same period a year earlier and compared to a full-year deficit target of 3.7% of GDP. Revenue exceeded that target, driven by higher-than-expected receipts from personal income tax and social contributions, while VAT revenue increased in line with the plan. Spending was driven by a 50% y-o-y surge in public investment, as well as higher health spending and interest costs. In the absence of additional consolidation measures, the general government deficit is projected to decline only gradually and remain above 3% of GDP over 2026-28. Absent additional consolidation measures, public debt is projected to exceed 60% of GDP over the forecast horizon. Risks to the fiscal outlook are tilted strongly to the downside, notably due to the potential implementation of the *'Euro Model' reform,* under which pension contributions, amounting to more than 4% of GDP in 2025, would be abolished, while the impact of the planned compensatory measures remains unclear.

Graph III.32.2: **Montenegro - General government budget balance and gross debt**

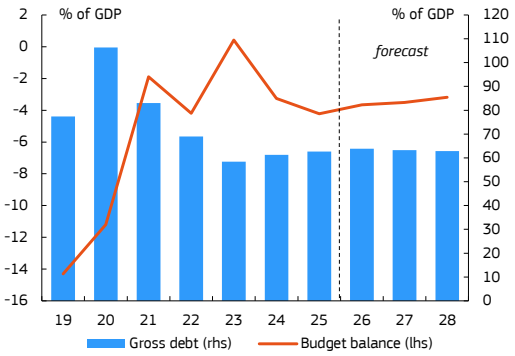


Table III.32.1:

Main features of country forecast - MONTENEGRO

	2025			Annual percentage change					
	mio EUR	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		8269.1	100.0	2.4	6.5	3.2	3.3	**3.1**	**3.0**	**3.2**
Private Consumption		6803.8	82.3	2.8	7.1	10.3	8.8	**3.0**	**2.1**	**2.0**
Public Consumption		1418.4	17.2	1.8	2.8	1.6	1.4	**1.7**	**1.8**	**1.8**
Gross fixed capital formation		1887.3	22.8	4.6	11.3	10.1	14.8	**7.2**	**7.1**	**7.0**
Exports (goods and services)		3274.4	39.6	4.2	9.0	-4.0	-4.6	**2.7**	**3.0**	**3.3**
Imports (goods and services)		5425.8	65.6	4.4	8.2	5.7	5.0	**2.8**	**2.9**	**2.8**
GNI (GDP deflator)		8146.0	98.5	:	5.4	0.1	3.9	**3.1**	**2.8**	**2.7**
Contribution to GDP growth:		Domestic demand		4.1	8.5	10.1	10.3	**4.4**	**3.7**	**3.6**
		Inventories		0.2	-0.5	-1.1	-1.6	**-0.5**	**0.1**	**0.0**
		Net exports		-1.7	-1.4	-5.8	-5.3	**-0.8**	**-0.7**	**-0.5**
Employment				:	10.5	2.8	-0.4	**2.6**	**2.0**	**0.8**
Unemployment rate (a)				17.8	13.4	11.7	10.1	**9.9**	**9.7**	**9.3**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	:	:	:	:	:	:
Consumer price index				:	8.6	3.3	3.9	**3.8**	**3.3**	**2.9**
Terms of trade goods				:	:	:	:	:	:	:
Trade balance (goods) (c)				-44.3	-42.2	-43.2	-45.3	**-45.7**	**-44.9**	**-44.1**
Current-account balance (c)				-15.3	-11.1	-17.1	-20.3	**-20.0**	**-19.6**	**-19.1**
General government balance (c)				-5.4	0.4	-3.3	-4.2	**-3.7**	**-3.5**	**-3.2**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				59.8	58.4	61.3	62.7	**63.8**	**63.3**	**62.8**

(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

Economic growth is projected to remain strong, driven by domestic demand. In the first half of 2026, annual GDP growth accelerated to 3.7%, from 3.5% on average in 2025, supported by the implementation of public works and strong household spending. With food price inflation abating over the summer, headline inflation relented. It is projected to continue slowing, but to remain above the central bank's target of 2%. The government postponed fiscal consolidation plans, raising the deficit target for 2026 from 3.5% of GDP to 4.1%. The deficit is projected to decrease over the forecast horizon, but to remain above the fiscal rule's target.

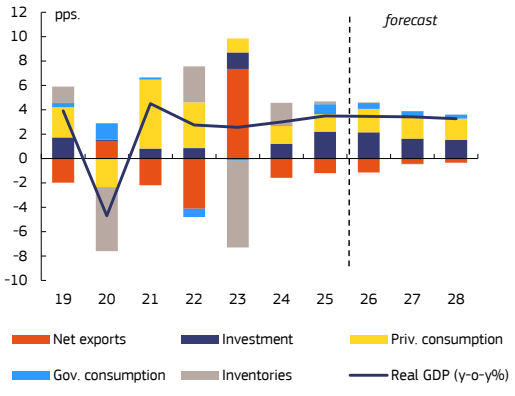
Domestic demand to continue as growth driver

Investment, supported by accelerated public infrastructure works, and household spending drove economic growth in the first half of 2026. Public consumption made only a limited contribution and net exports weighed on growth. Private consumption was bolstered by strong real wage growth, a further linear increase in pensions, buoyant credit growth, and the government's temporary cuts to excise duties and VAT on fuel. The current account deficit widened, mainly as the trade balance worsened as a result of higher energy import costs and consumer goods imports. Looking ahead, GDP growth is projected to remain strong, with domestic demand as the sole driver and a gradually decelerating negative contribution from the external balance. Private consumption growth is expected to slow slightly, as the relief on fuel cost ran out in October, and the rise in pensions is projected to moderate with no further linear increases planned. Investment is set to be supported by the implementation of public infrastructure projects and by capacity expansions of established foreign firms. Given rising interest rates and stronger macroprudential measures to curb fast mortgage growth, residential investment is projected to be more muted. The current account is projected to gradually improve, as energy prices decline and the merchandise trade deficit narrows.

Disinflation progresses slowly

Driven by food and energy prices, headline inflation remained elevated in the first half of 2026, before relenting over the summer, as food price rises slowed down. Core inflation also started to moderate. In June, the central bank raised the key policy rate by 25 bps. to 4.25%. Looking ahead, inflation is set to decline gradually, supported by prudent monetary policy, but to remain above the central bank's target of 2%. The growth of import prices is projected to slow down, but domestic demand-side pressures from rising disposable income, supported by expansionary fiscal policy, is expected to continue weighing on inflation at least this year and next.

Graph III.33.1: **North Macedonia - Real GDP growth and contributions**



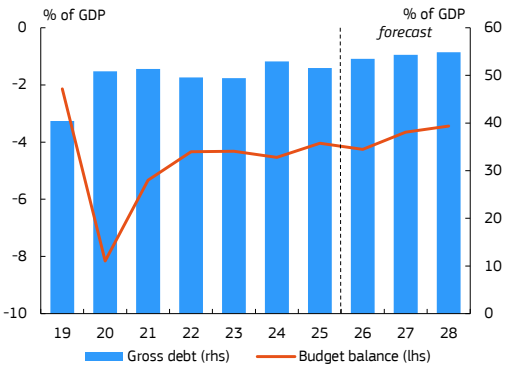
Structural challenges weigh on the labour market

Headline indicators for the labour market continued to improve in the first half of 2026. The unemployment rate declined slightly year-on-year, while the labour force increased. Labour market participation rose but remains below EU average, at some 67%. The growth in gross nominal wages abated in the first half of the year. Yet, at 7.7% on average, it remains elevated, reflecting public sector collective agreements, labour shortages and a further rise in minimum wages taking effect in March 2026. Given persistent structural challenges in the labour market, it is expected that further improvements in the unemployment and the employment rate will be more moderate than in the past.

Fiscal consolidation is further postponed

In the first nine months of 2026, strong revenue performance was outpaced by expenditure growth, in particular a large annual rise in capital spending, resulting in a sizeable increase in the budget deficit. In July, the government raised the deficit target for 2026 from 3.5% to 4.1% of GDP to cope with unforeseen spending pressures. The achievement of the deficit target of 3% of GDP, set in the fiscal rules, has been postponed to 2028. The deficit is projected to decrease over the forecast horizon. On the revenue side, the government is implementing several reforms to boost tax compliance, such as e-invoicing and the digitalisation of the Public Revenue Office. On the expenditure side, it is committed to reign in operational expenditure and public wages. Regarding capital spending, it has recently shifted the financing of the remainder of the country's part of the Pan-European Road Network (Corridor VIII and Xd) off-budget to the Public Enterprise for State Roads. The delayed fiscal consolidation is set to further increase the debt-to-GDP ratio.

Graph III.33.2: **North Macedonia - General government budget balance and gross debt**



The growth outlook could be negatively impacted by a renewed rise in inflation, which would lower household and investment spending. Fiscal slippages, requiring higher than anticipated borrowing in an environment of rising interest rates, might have negative repercussions on private sector credit growth. The deferral of infrastructure projects may reduce the contribution of public investment to growth. On the positive side, the implementation of reforms to attract investment capital and to improve public investment management are set to support growth. These include a new framework for public-private partnerships and better control of fiscal risks. Implementing the structural reforms agreed in the EU's Growth Plan is also expected to improve the growth outlook.

Table III.33.1: **Main features of country forecast - NORTH MACEDONIA**

	2025			Annual percentage change					
	bn MKD	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		1043.9	100.0	2.5	2.6	3.0	3.5	**3.5**	**3.4**	**3.3**
Private Consumption		685.1	65.6	2.5	1.7	2.1	2.1	**2.9**	**2.7**	**2.6**
Public Consumption		171.1	16.4	1.4	-1.1	0.4	5.3	**2.9**	**2.8**	**2.0**
Gross fixed capital formation		250.3	24.0	5.1	5.6	5.0	9.4	**9.0**	**6.5**	**6.0**
Exports (goods and services)		622.7	59.6	7.1	-3.0	-4.0	6.1	**8.0**	**5.5**	**5.0**
Imports (goods and services)		766.1	73.4	6.9	-10.2	-1.4	6.7	**8.1**	**5.1**	**4.5**
GNI (GDP deflator)		992.6	95.1	2.2	1.9	2.8	3.8	**3.1**	**3.4**	**3.3**
Contribution to GDP growth:		Domestic demand		3.2	2.3	2.7	4.5	**4.6**	**3.9**	**3.6**
		Inventories		0.4	-7.1	1.8	0.2	**0.0**	**0.0**	**0.0**
		Net exports		-1.1	7.3	-1.6	-1.2	**-1.1**	**-0.4**	**-0.3**
Employment				1.2	-0.5	1.3	1.2	**1.0**	**0.8**	**0.7**
Unemployment rate (a)				24.1	12.3	11.5	10.8	**10.0**	**9.6**	**9.5**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				3.1	7.9	3.7	4.6	**3.4**	**4.5**	**2.2**
Consumer price index				:	9.4	3.5	4.1	**3.7**	**3.3**	**2.2**
Terms of trade goods				0.6	-1.2	0.9	:	:	:	:
Trade balance (goods) (c)				-21.7	-18.0	-19.7	-19.6	**-21.6**	**-21.0**	**-20.6**
Current-account balance (c)				-3.5	0.4	-2.2	-4.4	**-5.8**	**-4.8**	**-4.4**
General government balance (c)				-3.6	-4.3	-4.5	-4.0	**-4.3**	**-3.7**	**-3.4**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				39.1	49.4	52.9	51.6	**53.5**	**54.3**	**54.9**

(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.

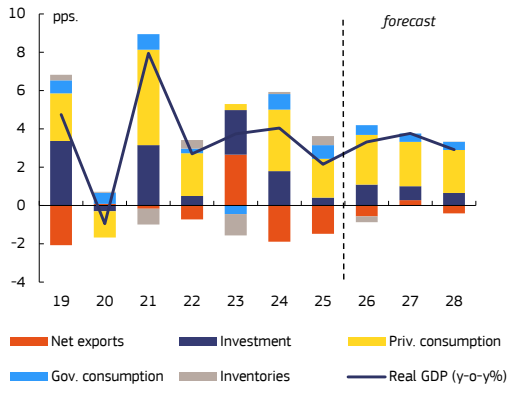
34. SERBIA

In the first half of 2026, Serbia's economy performed stronger than expected, driven by domestic demand. Real GDP growth is forecast to rise from 2.1% in 2025 to 3.3% in 2026 and 3.8% in 2027, underpinned by household consumption and boosted by the specialised EXPO 2027 in Belgrade. These factors are also expected to add to inflationary pressures. As broad-based support to domestic demand fades in 2028, growth is projected to moderate to 2.9%, even if the external environment stabilises as assumed. The fiscal deficit is set to reach 3.5% of GDP in 2026, reflecting a pre-election stimulus of around 1% of GDP and a cut to fuel excise duties. Thereafter, the deficit is projected to decline gradually to below 3% by 2028, while public debt is forecast to remain broadly stable at around 44% of GDP over the forecast horizon.

Domestic demand stimulated in the short run by several factors

Economic growth is projected to strengthen in the short term, driven mainly by domestic demand, before moderating later in the forecast horizon. After slowing to 2.1% in 2025, GDP growth accelerated to 3.5% in the first half of 2026. This was supported mainly by strong private consumption, underpinned by rapid growth in wages, minimum wages and social transfers, household credit expansion of about 20% y-o-y, and slightly improving consumer confidence. Exports continued to grow solidly, led by a narrow set of sectors, notably electric cars, while imports grew even faster.

Graph III.34.1: **Serbia - Real GDP growth and contributions**



Looking ahead, short-term indicators point to a continuation of this consumption-led growth pattern. Retail trade is expected to support growth, while most industrial sectors continue facing unfavourable global conditions. Household income is expected to be further boosted by the supplementary budget adopted in September, which provides significant one-off fiscal transfers to households in the second part of 2026. The economic effects of these transfers are set to carry over into 2027. Overall, GDP growth is forecast to reach 3.3% in 2026. In 2027, growth is expected to rise further to 3.8%, supported additionally by increased tourist inflows linked to the specialised EXPO 2027 in Belgrade (which is essentially a smaller version of World EXPO). In 2028, as these temporary stimulus factors fade, growth is forecast to slow to 2.9%, despite an assumed stabilisation in the global economic environment. In the short term, upside risks to the GDP prevail from strong momentum in private consumption. However, the outlook is subject to downside risks in the medium term, as the current state-administrated stimulus factors are inherently temporary and their unwinding could cool domestic demand more substantially than assumed. Structurally, rapid wage growth and the decline in foreign direct investment since 2025 could weaken external competitiveness and weigh on export performance.

Wage growth has outpaced productivity growth for several years

In the first half of 2026, Serbia's labour market performance showed mixed developments. Both employment and unemployment declined, while the activity rate fell. This points to a shrinking labour supply due to population ageing. As a result, employment is expected to stagnate, while labour market remains tight. Wage growth was strong in the first half of 2026, with nominal wages up by 11% y-o-y. This was driven partly by rapid increases in the minimum wage, which rose by a cumulative 20% in October 2025 and January 2026, and are set to further rise by 9.2% in January 2027. Wage growth was notably rapid in some publicly funded sectors, like education

and health, while it remained below average in the public administration as a whole. Wage growth is expected to remain strong and well above productivity growth in 2026 and 2027, decelerating by 2028 in line with the economy, assuming no additional administrative measures.

Inflation has remained contained despite higher global energy prices

Inflation remained relatively stable in the first half of 2026, despite the global energy price shock and the expiry of retail price margin caps, which limited margins for most food categories to 20% between September 2025 and February 2026. Inflation averaged only 2.7% between January and August 2026, contained by a good harvest for fruit and vegetables and substantial cuts to energy taxation. Inflation rose to 4.1% in September, reflecting base effects associated with the retail margin caps introduced a year earlier and higher global energy prices. For 2026, average inflation is forecast at 3.3%. However, core inflation, excluding energy and food, is significantly higher, reaching 4.5% around mid-2026, driven mainly by services prices. In 2027, inflation is projected to rise to 4.2%, as robust household demand is expected to offset the anticipated decline in global energy prices. By 2028, inflation is forecast to ease to 3.4%, assuming a continued decline in global fuel prices and some moderation in domestic demand.

Deficit temporarily exceeds target

Based on preliminary figures, general government revenue rose strongly by around 12% y-o-y in the first eight months of 2026, even with cuts to fuel excise duties. However, broad-based expenditure growth of nearly 14% exceeded revenue growth, and the deficit was 0.5 pps. higher than a year earlier. The supplementary budget adopted in September 2026 increased expenditure by EUR 1 bn (1% of GDP), mainly through transfers to households. This pushed the deficit to 3.5% of GDP in 2026, above the 3% fiscal ceiling. Strong projected economic growth and related tax revenue are expected to bring the deficit below the ceiling by 2027. It is expected to decline further to 2.7% by 2028, assuming a return to prudent fiscal policies. Serbia's public debt is forecast to moderate slightly from 44.2% of GDP in 2025 to 43.6% by 2028, as robust nominal GDP growth offsets the impact of the accumulation of fiscal deficits. However, downside risks persist, as the time-critical EXPO 2027 projects may be subject to unforeseen cost overruns.

Table III.34.1: **Main features of country forecast – SERBIA**

	2025			Annual percentage change						
	bn RSD	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		10558.4	100.0	2.2	3.7	4.0	2.1	**3.3**	**3.8**	**2.9**
Private Consumption		6475.2	61.3	1.4	0.5	5.1	3.3	**4.2**	**3.7**	**3.6**
Public Consumption		1943.4	18.4	1.4	-2.4	4.7	4.0	**2.8**	**2.4**	**2.3**
Gross fixed capital formation		2411.1	22.8	4.0	9.7	7.7	1.7	**4.8**	**3.1**	**2.9**
Exports (goods and services)		5654.4	53.6	7.7	2.7	5.2	5.7	**3.7**	**5.4**	**1.3**
Imports (goods and services)		6102.5	57.8	6.1	-1.4	8.0	7.8	**4.4**	**4.4**	**2.0**
GNI (GDP deflator)		9886.3	93.6	2.1	3.0	4.0	1.1	**2.9**	**3.5**	**2.5**
Contribution to GDP growth:		Domestic demand		2.1	2.2	5.8	3.1	**4.2**	**3.5**	**3.3**
		Inventories		0.2	-1.1	0.1	0.5	**-0.3**	**0.0**	**0.0**
		Net exports		-0.1	2.7	-1.9	-1.5	**-0.6**	**0.3**	**-0.4**
Employment				0.4	0.8	2.0	0.1	**-0.4**	**0.2**	**-0.4**
Unemployment rate (a)				15.9	9.4	8.6	8.6	**8.2**	**8.1**	**8.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				5.5	13.9	6.4	5.9	**4.0**	**4.8**	**3.4**
Consumer price index				:	12.4	4.7	3.9	**3.3**	**4.2**	**3.4**
Terms of trade goods				0.2	2.3	1.8	3.1	**-0.1**	**0.4**	**-0.1**
Trade balance (goods) (c)				-11.9	-8.5	-7.9	-7.0	**-7.6**	**-7.6**	**-7.3**
Current-account balance (c)				-6.5	-2.5	-4.7	-4.8	**-4.8**	**-4.7**	**-5.1**
General government balance (c)				-3.2	-2.1	-2.0	-2.5	**-3.5**	**-3.0**	**-2.7**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				49.5	48.4	46.9	44.2	**44.1**	**43.5**	**43.6**

(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.

35. TÜRKIYE

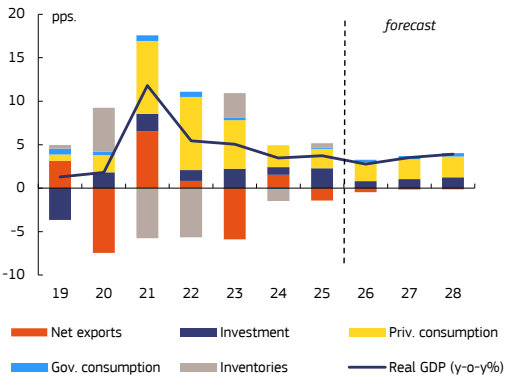
Economic growth is expected to slow to just below 3% in 2026. Domestic demand is weakening in a context of tight monetary and fiscal policies, as well as persistently high inflation driven by elevated energy prices. GDP growth is then forecast to pick up to 3.5% in 2027 and 3.9% in 2028, as domestic demand strengthens amid disinflation and a more accommodative monetary and fiscal stance. Rising export demand and favourable terms-of-trade effects are set to reduce the current-account deficit. Government debt is projected to continue declining, reaching 22.4% in 2028, due to strong nominal GDP growth.

The conflict in the Middle East weighs on economic growth

Real GDP growth slowed in the first half of 2026 as the impact of the conflict in the Middle East affected all components of domestic demand. Higher energy prices and tight monetary policy weighed on private consumption. Regional instability hit tourism and exports. In addition, in September 2026, Türkiye's equity market came under liquidity pressure as tighter regulation, introduced in response to alleged market manipulation, forced investment funds to unwind concentrated positions. Investors responded by increasing redemption requests, which some funds were unable to meet. The government acted swiftly to contain the impact of the financial market turmoil but could not prevent the BIST 100 index from falling. The turmoil adds to rising domestic political tensions and poses a downside risk to private consumption and investment in the near term. At the same time, the central bank cut its policy rate in October 2026, which could support domestic demand more than currently expected.

Economic growth is expected to reach 2.8% in 2026, before rebounding to 3.5% in 2027 and 3.9% in 2028 as the effects of the conflict in the Middle East gradually fade. Domestic demand is expected to remain the main driver of growth over the forecast horizon. Private consumption and investment were held back in 2026 by high inflation, high interest rates, and elevated uncertainty, but are set to gradually rebound in the following years as the economic environment becomes more favourable.

Graph III.35.1: **Türkiye - Real GDP growth and contributions**



In 2026, net exports are expected to have a smaller negative contribution to growth than in 2025, as imports have contracted as well. As of 2027, net exports are projected to gradually recover alongside increases in both exports and imports. Supported by subdued domestic demand and favourable terms-of-trade effects, the current-account deficit is set to narrow in 2027 and 2028 after a marked widening in 2026. Türkiye's external position remains sound, but fragile amid the ongoing financial market turmoil, continued exchange rate depreciation, and uncertainty over energy prices and trade disruptions linked to the conflict in the Middle East. If energy prices stay elevated for longer than assumed in the baseline, or if domestic demand picks up more strongly than projected, the narrowing of the current-account deficit could stall. Although the balance of risks to growth and external imbalances is on the downside, the recent track record of sound policies, and higher foreign exchange reserves have helped Türkiye weather the challenges of the conflict so far.

The labour market remains resilient

In the first half of 2026, the employment rate remained stable at around 55%, while the unemployment rate fell to 8%, reflecting a small decline in the participation rate. Over the forecast horizon, employment growth is projected to pick up modestly and the unemployment rate to

decline further. Wage pressures are expected to remain contained, given continued elevated slack in the labour market, as underemployment remains high and the potential labour force large.

The energy price shock has disrupted the disinflation process

Disinflation stalled in the first half of 2026 as the conflict in the Middle East pushed up energy prices. It resumed gradually as of the third quarter of the year, with consumer price inflation falling to just below 30% y-o-y in September. Inflationary pressures remain high, reflecting elevated global energy prices and the gradual withdrawal of energy price support measures. Bringing inflation down remains a key policy priority, but the authorities face difficult trade-offs as they seek to avoid an excessive slowdown in economic activity. The recent policy rate cut and repeated revisions to intermediate inflation targets are proof to this. Although risks remain tilted to the upside, inflation is expected to decline gradually over the forecast horizon. Maintaining market confidence will require continued policy commitment to disinflation, while balancing other policy objectives ahead of the 2028 elections.

The fiscal deficit is widening again

In 2026, the general government budget deficit is set to widen to 2.5% of GDP reflecting higher spending and lower revenues, including losses from energy price support measures, as well as higher interest payments. Budgetary pressure is expected to ease as support measures are being phased out, and spending on post-earthquake reconstruction gradually decreases. As a result, the deficit is expected to remain elevated in 2027 before narrowing somewhat in 2028. Despite the higher deficits, the government debt ratio is forecast to remain low and reach 22.4% in 2028.

Graph III.35.2: **Türkiye - General government budget balance and gross debt**

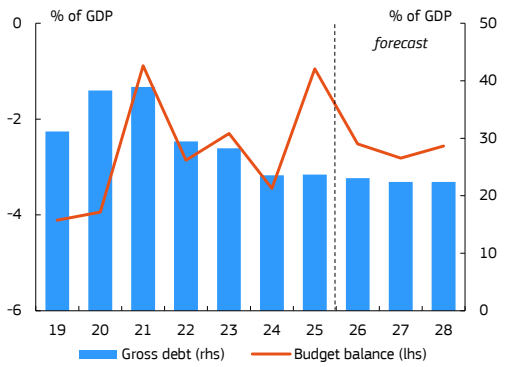


Table III.35.1: **Main features of country forecast – TÜRKIYE**

	2025			Annual percentage change					
	bn TRY	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		63240.5	100.0	4.9	5.0	3.5	3.7	**2.8**	**3.5**	**3.9**
Private Consumption		34600.9	54.7	5.4	10.5	4.7	4.1	**3.9**	**4.1**	**4.2**
Public Consumption		8765.8	13.9	4.9	2.3	-0.8	1.0	**2.0**	**2.6**	**2.8**
Gross fixed capital formation		19424.1	30.7	4.2	7.3	2.7	7.3	**2.6**	**3.5**	**4.4**
Exports (goods and services)		15650.7	24.7	5.8	-2.3	0.4	-0.6	**-3.3**	**3.0**	**3.4**
Imports (goods and services)		15810.4	25.0	3.3	12.1	-4.1	4.6	**-1.4**	**3.5**	**3.9**
GNI (GDP deflator)		62181.5	98.3	:	5.0	3.3	3.3	**2.8**	**3.5**	**3.9**
Contribution to GDP growth:		Domestic demand		5.1	8.1	3.3	4.7	**3.2**	**3.7**	**4.0**
		Inventories		-0.7	2.9	-1.4	0.5	**0.0**	**0.0**	**0.0**
		Net exports		0.4	-5.9	1.5	-1.4	**-0.5**	**-0.2**	**-0.1**
Employment				2.6	2.9	3.1	-0.1	**-0.2**	**0.6**	**1.5**
Unemployment rate (a)				10.6	9.4	8.8	8.4	**8.1**	**8.0**	**7.8**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				14.7	68.3	59.4	36.5	**31.4**	**26.8**	**20.7**
Consumer price index				:	53.9	58.5	34.9	**31.2**	**26.0**	**19.5**
Terms of trade goods				:	:	:	:	:	:	:
Trade balance (goods) (c)				-6.2	-7.5	-4.6	-4.2	**-4.2**	**-3.8**	**-3.5**
Current-account balance (c)				-3.0	-2.8	-0.7	-2.0	**-2.3**	**-2.1**	**-1.8**
General government balance (c)				-2.0	-2.3	-3.4	-0.9	**-2.5**	**-2.8**	**-2.6**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				32.8	28.2	23.5	23.7	**23.1**	**22.4**	**22.4**

(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.

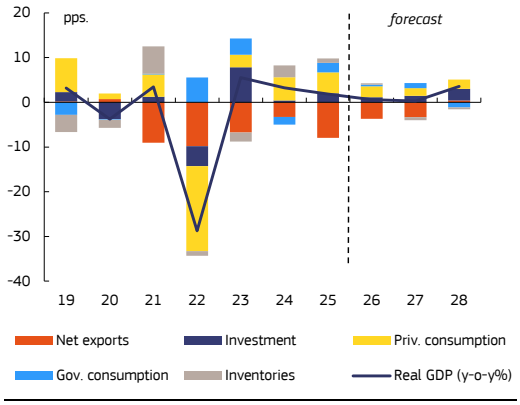
36. UKRAINE

The intensification of Russia's war of aggression since the summer, with relentless attacks on civilian and critical infrastructures as well as the blockade of the Black Sea ports, is having a significant impact on Ukraine's economy. GDP contracted slightly in the first half of 2026 and is projected to remain subdued in 2027. Large defence and reconstruction needs, as well as continued reliance on external assistance, are set to keep the fiscal deficit and debt elevated over the forecast horizon.

Economic growth to decelerate in 2026 as the war takes a higher toll on the economy

Economic growth slipped into negative territory in the first half of 2026, recording a 0.1% contraction compared to the same period of last year. Relentless Russian attacks since the summer on energy and logistics infrastructure, as well as industrial sites, severely disrupted economic activity. Strong private consumption and the growth impetus from the expanding localisation of defence manufacturing allowed for some relief. The shift of Russian attacks towards civilian infrastructure is projected to further weigh on confidence and growth in the second half of the year. A strong agricultural harvest is expected to lift the annual growth rate to 0.6% for 2026, although exports are severely constrained by the blockade of Ukrainian Black Sea ports.

Graph III.36.1: **Ukraine - Real GDP growth and contributions**



Output is projected to remain severely constrained by the challenging security situation in 2027. With disruptions in production, supply chains and exports, economic growth is forecast to slow further to 0.3%. Private consumption is expected to hold up relatively well, given the scale of disruptions, benefiting from rising real wages. Public consumption and investment in defence production are set to also underpin economic activity. However, exports are expected to remain constrained by damage to production facilities and logistics infrastructures. In particular, the renewed blockade of Black Sea ports severely disrupts exports, while alternative routes cannot fully compensate for shipping capacity. Meanwhile, import demand for energy, defence-related goods and repair inputs is expected to remain high, with negative net exports weighing on GDP growth. Under the technical assumption that conditions for large-scale reconstruction are in place as from early 2028, growth is expected to accelerate to 3.5% in 2028. The current account balance is projected to remain negative at 8.0% of GDP in 2026 and 7.9% in 2027. This is driven by a large trade deficit, which is only partly cushioned by international donor support. The outlook remains highly uncertain, with risks tilted to the downside as a further deterioration in the security situation could intensify disruptions to business operations. Conversely, a new Black Sea grain deal or earlier improvement in the security situation could facilitate an earlier and stronger recovery.

War-related disruptions in the labour market persist

Large-scale displacement, military mobilisation and emigration have continued to reduce the available labour force. This is contributing to persistent worker shortages and to widespread skills mismatches. Competition for workers has sustained nominal wage growth above inflation. Shortages of suitably qualified workers continue to limit productive capacity, while lasting effects of the war on the workforce are expected to continue disrupting the labour market, keeping unemployment elevated, throughout the forecast horizon.

Inflation set to rebound in 2026

After easing in the first half of 2026, consumer price inflation has started to rise again. The renewed increases in fuel costs, exchange-rate pass-through and persistent labour-market tightness have fuelled inflationary pressures. The headline inflation rate rose to 10.0% y-o-y in September 2026, while core inflation reached 8.8%. Against this background, inflation is forecast to average 9.1% in 2026 and 9.3% in 2027, before gradually decelerating to 8.5% in 2028 as the effects of tightened monetary policy take hold and energy price pressures abate.

Public deficit to remain high amid sizeable war-related expenditure needs

Revenue excluding international assistance increased by 21% y-o-y in January–August 2026, supported by nominal wage growth boosting personal income tax receipts, efforts to reduce informality in customs, and higher excise rates. Nevertheless, expenditure rose at a faster pace, increasing by 27%, primarily owing to increased defence procurement and a larger public sector wage bill. Despite these pressures, the headline general government deficit is projected to narrow to 14.1% of GDP in 2026, reflecting the recording of inflows under the EU's Ukraine Support Loan as revenue. The Loan is expected to provide the bulk of external financial assistance this year.

Looking ahead, tax measures, including higher taxation of bank profits, taxation of income earned through digital platforms, removal of the VAT exemption for low-value imported parcels, and further excise increases are expected to yield sizeable additional revenues as from 2027. However, deteriorating economic activity is projected to weigh on tax receipts. At the same time, defence needs will remain elevated, with military remuneration reform adding substantially to personnel costs. Higher allocations for business support, pensions and assistance to vulnerable households are set to add to spending pressures. Consequently, the general government deficit [59] is projected to widen to around 17% of GDP in 2027. Public debt is expected to rise to 97.4% of GDP in 2027, driven by the large fiscal deficit, before gradually declining over the forecast period [60].

Table III.36.1: **Main features of country forecast - UKRAINE**

	2025			Annual percentage change						
	bn UAH	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		8931.2	100.0	:	5.5	3.2	1.8	**0.6**	**0.3**	**3.5**
Private Consumption		5965.4	66.8	:	4.3	8.5	7.4	**3.6**	**2.5**	**3.0**
Public Consumption		3478.0	38.9	:	9.2	-4.1	5.7	**1.0**	**2.9**	**-3.1**
Gross fixed capital formation		1729.5	19.4	:	65.9	2.1	10.9	**6.0**	**7.0**	**12.0**
Exports (goods and services)		2262.6	25.3	:	-5.9	10.3	-12.8	**0.2**	**1.9**	**12.3**
Imports (goods and services)		4630.5	51.8	:	8.9	12.5	8.3	**7.2**	**7.0**	**4.4**
GNI (GDP deflator)		8888.5	99.5	:	3.0	0.7	1.1	**0.2**	**0.4**	**3.7**
Contribution to GDP growth:	Domestic demand			1.0	14.3	3.9	8.8	**4.0**	**4.3**	**3.5**
	Inventories			-0.2	-2.0	2.6	1.0	**0.3**	**-0.7**	**-0.4**
	Net exports			-3.1	-6.7	-3.3	-8.0	**-3.7**	**-3.3**	**0.4**
Employment				:	-1.6	2.8	1.9	**0.5**	**-0.5**	**2.0**
Unemployment rate (a)				10.5	19.2	14.8	13.3	**12.4**	**12.7**	**11.7**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				:	19.9	12.0	14.5	**8.8**	**10.5**	**9.6**
Consumer price index				12.7	12.8	6.5	12.7	**9.1**	**9.3**	**8.1**
Terms of trade goods				:	-2.4	5.2	2.3	**-4.7**	**1.9**	**1.6**
Trade balance (goods) (c)				-7.9	-16.6	-16.9	-21.8	**-25.6**	**-25.9**	**-22.8**
Current-account balance (c)				-1.4	-5.3	-7.8	-13.9	**-8.0**	**-7.9**	**-11.1**
General government balance (c)				-1.2	-20.0	-18.1	-19.5	**-14.1**	**-16.9**	**-9.6**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				61.5	83.3	91.1	90.9	**90.4**	**97.4**	**95.4**

(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.

(59) The fiscal deficit projections account for the budget support part of the USL. Excluding international grants and USL, the fiscal deficit would reach 34.6% of GDP in 2026, 35.5% of GDP in 2027, and 9.4% of GDP in 2028.

(60) Public debt projections exclude ERA loans and USL financing, in line with the treatment applied in the Debt Sustainability Analysis of the IMF programme. Were all ERA loans and USL financing included, public debt would increase to 135.9% of GDP in 2026, 160.0% of GDP in 2027, and 150.5% of GDP in 2028.

Other non-EU Countries

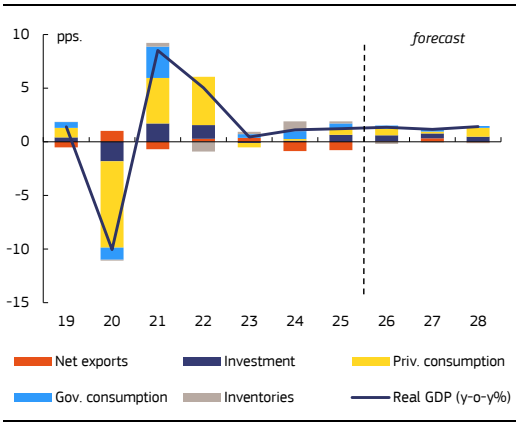
37. THE UNITED KINGDOM

So far, UK real GDP has grown faster than expected in 2026, supported by strong business investment and resilient consumption. Higher energy prices linked to the conflict in the Middle East are pushing inflation up again, and the hit to household incomes is set to peak in early 2027. Real GDP is projected to grow by 1.3% in 2026 and 1.2% in 2027, before picking up to 1.4% in 2028 as inflation recedes and consumption recovers. The general government deficit is expected to narrow gradually.

Stronger-than-expected growth in 2026

Following weak growth in the second half of 2025, real GDP grew by 0.6% q-o-q in the first quarter of 2026 and by 0.5% in the second. The persistence of growth beyond the first quarter suggests that it does not merely reflect the residual seasonality that boosted first quarter outturns in previous years. Growth in the second quarter was driven mainly by net trade, as export volumes rose by 2.8% q-o-q while import volumes were flat, and by investment, with business investment up 1.8% q-o-q. Business investment has been broad–based, with strong spending on information technology, although the contribution of artificial intelligence to activity remains hard to identify in the data. Private consumption grew by 0.3%, despite the squeeze on real incomes, while public consumption fell by 0.5%. Monthly GDP rose by 0.4% in July and 0.1% in August, pointing to continued growth in the third quarter.

Graph III.37.1: **The United Kingdom - Real GDP growth and contributions**



Overall, real GDP growth is projected to pick up to 1.3% in 2026, from 1.2% in 2025, before easing to 1.2% in 2027 and recovering to 1.4% in 2028. Higher regulated energy tariffs and a particularly large share of mortgages refinancing at higher rates are expected to weigh on household budgets from the fourth quarter of 2026—with the full effect felt in 2027—and private consumption is expected to slow markedly in 2027. Consumption is projected to rebound in 2028 as inflation recedes and real incomes recover. A gradual decline in the household saving rate is also set to help increase consumption. Investment is projected to be the fastest growing component of domestic demand, expanding robustly over the forecast horizon, supported partially by technology-related spending. Public consumption is expected to support growth in 2026, before moderating in 2027 and 2028. Exports, led by services, are projected to grow in 2026 and 2027. As weaker consumption holds back imports, net exports are set to contribute positively to growth in 2027, before turning slightly negative in 2028.

The labour market is stabilising, but real wages are set to fall

After a prolonged period of softening, the labour market is stabilising, although labour demand remains weak and youth unemployment is a structural concern. The unemployment rate edged down to 4.7% in the three months to August 2026, and regular pay growth eased to 3.7%. Employment is expected to grow marginally in 2026 and 2027, with the unemployment rate averaging 5.0% in both years before edging down to 4.9% in 2028. Growth in compensation per employee is projected to slow to 2.8% in 2026 and to remain below 3% thereafter, implying a fall in real wages in 2026 and broadly flat real wages in 2027.

Energy prices are pushing inflation up again

Headline CPI inflation rose to 3.5% in September from 3.1% in August, with motor fuels making the largest upward contribution. Core inflation excluding energy, food, alcohol and tobacco, picked up to 2.8%. Services inflation rose to 3.7%, after easing from 4.5% in March to 3.4% in August. There is little evidence so far of second-round effects. However, higher wholesale energy prices, which have already pushed up regulated household tariffs in July and October, are set to feed through further in early 2027, and the indirect effects on food prices have yet to materialise. The Bank of England kept the Bank Rate at 3.75% in September in a split decision, with three of the nine members of the Monetary Policy Committee voting for an increase. CPI inflation is projected to average 3.4% in 2026 and to peak in early 2027. It is forecast to fall back gradually to 3.0% in 2027 and 2.3% in 2028, as energy price effects fade.

Fiscal consolidation continues, but pressures are building

The general government deficit is projected to narrow from 5.4% of GDP in 2025 to 4.6% in 2026, 4.1% in 2027 and 3.9% in 2028, mainly as previously announced tax increases take effect. The budget announced on 28 October 2026 added a package of tax increases, including a temporary rise in the bank surcharge, partly offset by higher day-to-day departmental spending and temporary support for household energy bills. Nevertheless, general government gross debt is projected to rise from 102.0% of GDP in 2025 to 103.7% in 2028.

Risks are tilted to the downside for growth and to the upside for inflation

Risks to growth are tilted to the downside. More persistent inflation would extend the squeeze on real incomes and could require a more restrictive monetary policy stance, weighing further on domestic demand into 2027. Households are also exposed to higher interest rates, because most mortgages are fixed for only a few years and refinance relatively quickly. On the fiscal side, further increases in borrowing costs or spending overruns could require additional consolidation, weighing on growth. On the upside, the recent strength of business investment could prove more durable than expected. Given the weight of services in the UK economy and firms' focus on adopting AI rather than building infrastructure, productivity gains could also materialise sooner, particularly in professional services.

Table III.37.1: **Main features of country forecast – THE UNITED KINGDOM**

	2025			Annual percentage change					
	bn GBP	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		3044.6	100.0	1.4	0.4	1.1	1.2	**1.3**	**1.2**	**1.4**
Private Consumption		1842.0	60.5	1.4	-0.7	0.3	1.0	**1.0**	**0.3**	**1.4**
Public Consumption		643.6	21.1	1.3	1.7	3.6	2.3	**1.5**	**1.1**	**0.9**
Gross fixed capital formation		571.6	18.8	2.0	-0.6	0.6	3.4	**3.0**	**2.4**	**2.5**
Exports (goods and services)		913.2	30.0	2.0	-1.3	-0.9	1.2	**3.0**	**2.1**	**1.5**
Imports (goods and services)		952.7	31.3	2.0	-2.4	1.7	3.7	**2.7**	**1.0**	**1.6**
GNI (GDP deflator)		3009.3	98.8	1.4	-0.7	0.6	1.6	**1.4**	**1.2**	**1.4**
Contribution to GDP growth:		Domestic demand		1.6	-0.2	1.0	1.7	**1.5**	**0.9**	**1.5**
		Inventories		-0.1	0.2	0.9	0.2	**-0.2**	**-0.1**	**-0.1**
		Net exports		0.0	0.4	-0.9	-0.8	**0.0**	**0.3**	**-0.1**
Employment				0.8	1.2	0.8	1.6	**0.2**	**0.1**	**0.3**
Unemployment rate (a)				5.7	4.0	4.3	4.8	**5.0**	**5.0**	**4.9**
Compensation of employees / head				2.6	6.1	5.0	5.6	**2.8**	**2.9**	**2.7**
Unit labour costs whole economy				2.0	6.9	4.6	6.0	**1.6**	**1.8**	**1.6**
Saving rate of households (b)				9.2	6.7	9.6	9.7	**9.1**	**8.9**	**8.4**
GDP deflator				2.2	6.3	3.8	3.6	**2.6**	**2.5**	**2.2**
Consumer price index (CPIH) (e)				2.5	6.8	3.3	3.9	**3.3**	**3.0**	**2.3**
Terms of trade goods				0.3	-0.9	2.6	-0.3	**-0.9**	**0.9**	**1.7**
Trade balance (goods) (c)				-6.3	-6.7	-6.8	-7.7	**-8.2**	**-8.1**	**-8.0**
Current-account balance (c)				-3.1	-2.5	-2.9	-3.0	**-3.4**	**-3.1**	**-2.9**
General government balance (c)				-5.8	-6.1	-6.0	-5.4	**-4.6**	**-4.1**	**-3.9**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				81.6	98.3	99.3	102.0	**102.7**	**103.2**	**103.5**

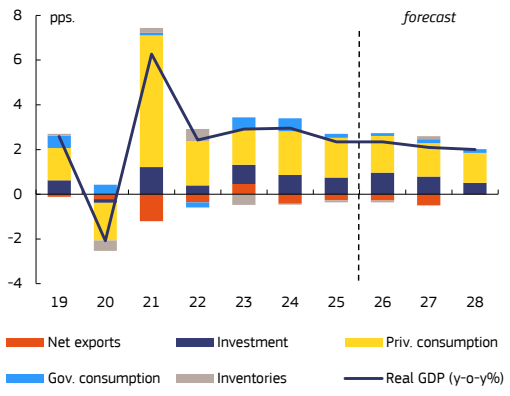
(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP. (e) CPIH is consumer price index which includes costs of owner-occupied housing

38. THE UNITED STATES

US economic growth has remained robust but is projected to decelerate gradually over the forecast horizon and remain around 2%. Growth is set to be supported by resilient private consumption and AI-related investment. Higher energy prices are expected to temporarily lift inflation. The fiscal deficit is set to widen again to around 8% of GDP as of 2026, reflecting recent tax cuts and increasing interest rate burden.

Resilient growth in 2026 despite the energy shock

Graph III.38.1: **The United States - Real GDP growth and contributions**



After expanding by 2.3% in 2025, the US economy has maintained a solid pace so far in 2026, growing by 0.6% q-o-q in each of the first two quarters and accelerating to 0.8% q-o-q in 2026-Q3. As a net energy exporter, the US has been less exposed to the conflict in the Middle East than other advanced economies but rising retail energy prices (e.g. petrol and diesel) have been squeezing real household incomes. This has been partly cushioned by recent tax cuts and tariff refunds, which bolstered household and corporate cash flows. Private consumption growth has remained robust, supported by tax cuts and tax refunds as well as by wealth effects from rising equity prices. Moreover, domestic demand has benefited from continued robust technology-related business investment, offsetting sluggish non-technology investment (especially residential) and subdued government spending. On the external side, exports increased moderately, driven by energy and AI-related trade, while imports rose strongly, despite tariffs, reflecting high foreign content of AI-related investment spending. Overall, real GDP is expected to grow by 2.3% in 2026.

Growth to ease gradually in 2027-28

Private consumption is projected to remain the main driver of the expansion, albeit growing more slowly than in recent years. Household spending is set to be supported by sound balance sheets and elevated asset valuations, although wealth gains are concentrated among higher-income households. The expected easing of energy prices as from 2027 is also expected to lower fuel costs and restore some purchasing power. However, subdued wage growth and a low saving rate limit the scale of private consumption growth. Moreover, job gains are set to remain modest amid continued immigration restrictions, which also curb labour-force growth. As a result, the unemployment rate is expected to stabilise at around 4.1% in 2027–28.

Business investment is forecast to keep expanding as large technology firms carry out their multi-year spending plans on AI infrastructure, but its contribution to growth is set to diminish gradually. At the same time, growth in other types of investment is likely to remain sluggish amid rising financing costs. Public consumption growth is set to increase in 2027-28, after subdued growth in 2026. Exports are projected to keep expanding in the same period, supported by energy sales while imports are set to remain strong, driven by AI-related equipment. As a result, net exports are expected to weigh on growth.

Macroeconomic policy is set to provide less support in 2027-28. The boost from the frontloaded tax cuts and the one-off tariff refunds are set to fade after 2026, while higher real interest rates weigh on interest-sensitive spending. Overall, real GDP growth is projected to slow down to 2.1% in 2027 and 2.0% in 2028.

Rising energy prices drive inflation

Price pressures remain above the Federal Reserve's 2% objective. Tariff pass-through has pushed up goods prices, while services inflation is proving persistent, reflecting increases in non-housing services prices and a renewed surge in housing costs. The energy shock is set to push CPI inflation up to 3.4% in 2026, from 2.6% in 2025. Disinflation is expected to resume in 2027, with headline inflation easing to 2.7% as oil prices retreat and the tariff effect drops out of annual rates. It is forecast to further drop to 2.2% in 2028.

The fiscal deficit is projected to widen in 2026 and remain high through 2028

After falling from 8.0% in 2024 to 7.2% of GDP in 2025, largely due to the surge in tariff receipts (close to 0.6% of GDP), the general government deficit is projected to widen to 8.1% of GDP in 2026. The increase reflects the frontloaded tax relief, the refunding of tariff revenues and record-high interest outlays. The deficit is expected to narrow to 7.9% of GDP in 2027 and in 2028 on the back of the reestablishment, in the summer of 2026, of stream of revenue from tariffs under a new legal basis (Section 301 of the Trade Act of 1974) and as backloaded cuts in social benefits gradually kick in. The primary deficit is expected to surpass 3% of GDP in 2026, before subsiding to 2.5% of GDP in 2028, while interest expenses are set to continue increasing over the forecast horizon. General government debt is projected to keep rising, from 125.6% of GDP in 2026 to 131.1% in 2028.

Risks remain elevated

On the downside, a sharp equity market correction, for instance triggered by a reassessment of the returns on AI investment, could affect investment and consumption via negative wealth effects, deterioration of company balance sheets and a change in the risk and investment appetite. Large AI and government financing needs could push long-term government bond yields even higher, raising borrowing costs for households and firms and adding to debt-servicing costs. Trade policy uncertainty, policy and governance uncertainties and mounting concerns over fiscal sustainability, with public debt on a steadily rising path, add to the downside risks. On the upside, higher military spending could boost government consumption and manufacturing, while faster adoption of AI could lift productivity and medium-term growth.

Table III.38.1: **Main features of country forecast - UNITED STATES**

	2025			Annual percentage change						
	bn USD	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		30861.3	100.0	1.8	2.9	3.0	2.3	**2.3**	**2.1**	**2.0**
Private Consumption		20870.2	67.6	2.0	2.3	2.9	2.6	**2.4**	**2.2**	**2.0**
Public Consumption		4256.5	13.8	0.7	4.1	4.2	1.3	**0.9**	**1.3**	**1.2**
Gross fixed capital formation		6649.4	21.5	1.7	4.0	4.0	3.5	**4.5**	**3.6**	**2.3**
Exports (goods and services)		3341.1	10.8	2.7	2.8	3.6	2.1	**4.1**	**3.8**	**3.5**
Imports (goods and services)		4262.3	13.8	2.6	-0.8	5.9	3.6	**5.2**	**6.4**	**2.8**
GNI (GDP deflator)		30846.1	100.0	1.8	2.6	2.6	2.4	**2.3**	**2.0**	**2.0**
Contribution to GDP growth:		Domestic demand		1.8	3.0	3.4	2.7	**2.7**	**2.5**	**2.0**
		Inventories		0.0	-0.5	0.0	-0.1	**-0.1**	**0.1**	**0.0**
		Net exports		-0.1	0.5	-0.4	-0.3	**-0.3**	**-0.5**	**0.0**
Employment				0.6	1.8	1.3	0.3	**0.2**	**0.2**	**0.2**
Unemployment rate (a)				6.2	3.6	4.0	4.3	**4.2**	**4.1**	**4.1**
Compensation of employees / head				3.0	3.8	4.4	3.9	**3.8**	**3.4**	**3.3**
Unit labour costs whole economy				1.8	2.7	2.7	1.9	**1.6**	**1.5**	**1.5**
Saving rate of households (b)				12.2	11.8	11.6	10.2	**9.9**	**9.6**	**9.0**
GDP deflator				2.2	3.7	2.6	2.6	**3.6**	**2.2**	**1.7**
Consumer price index				2.4	4.1	2.9	2.6	**3.4**	**2.7**	**2.2**
Terms of trade goods				0.8	-0.9	-0.8	1.1	**1.6**	**0.7**	**-0.2**
Trade balance (goods) (c)				-4.5	-3.8	-4.1	-4.0	**-4.3**	**-4.7**	**-4.7**
Current-account balance (c)				-2.9	-3.4	-4.1	-3.8	**-3.9**	**-4.4**	**-4.4**
General government balance (c)				-7.9	-7.9	-8.0	-7.2	**-8.1**	**-7.9**	**-7.9**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				101.4	122.2	123.3	124.8	**125.6**	**128.1**	**131.1**

(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.
(*) Employment data from the BLS household survey.

39. JAPAN

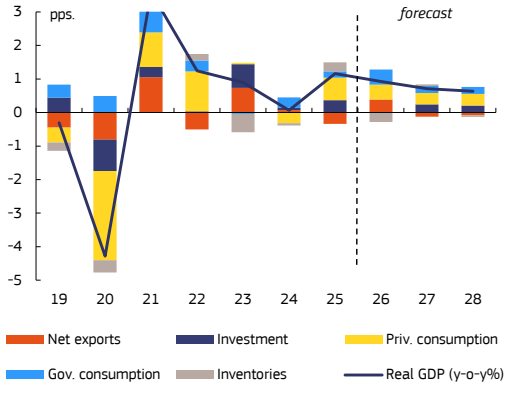
Japan's economic growth is expected to moderate from 0.9% in 2026 to 0.7% in 2027 and 0.6% in 2028. In 2026, public consumption and net exports are expected to underpin activity, while subdued household spending and weak investment weigh on domestic demand. The planned tax cut on food is projected to improve households' purchasing power and provide some support to consumption in 2027, although its impact is set to be limited by subdued consumer confidence. Inflation is expected to ease temporarily in 2027 due to the tax cut, before returning towards 2%. Meanwhile, fiscal policy is forecast to become more expansionary, with the deficit widening from 0.7% of GDP in 2025 to 1.3% in 2026 and rising further thereafter. Public debt is projected to decline from above 200% of GDP in 2025 to around 194% in 2028.

Growth set to moderate over the forecast horizon

Japan's economy maintained solid momentum in the first half of 2026, with real GDP growing by 0.5% q-o-q in the first quarter and 0.4% in the second. Growth shifted from private consumption and exports towards public consumption in the second quarter, while private investment remained subdued. Net exports contributed positively as falling imports more than offset slowing exports.

Activity is expected to soften in the second half of 2026. Private consumption growth is set to contribute to annual growth mainly through carry-over effects and strong first-quarter performance. Besides that, higher food and energy costs and the weak yen are projected to erode purchasing power despite recovering real wages. Investment is expected to remain broadly flat as uncertainty and high input costs weigh on spending, while inventory drawdowns add to the drag. Public consumption and net exports are set to be the main drivers of growth. Exports are set to benefit from global AI-related demand for semiconductor manufacturing equipment and electronics, while weak domestic demand is set to limit imports. GDP growth is forecast at 0.9% in 2026.

Graph III.39.1: **Japan - Real GDP growth and contributions**



Growth is projected to moderate to 0.7% in 2027 and to 0.6% in 2028. The planned food consumption tax cut improves households' purchasing power and is expected to support spending. However, its impact is likely to be limited by a large retiree population and households' continued sensitivity to prices and entrenched propensity to save. Public consumption is expected to moderate as emergency energy subsidies are phased out with easing oil-price pressures. Private investment is projected to recover as firms are set to resume some delayed projects. Exports are expected to remain strong in 2027 before easing in 2028 as AI-related demand moderates and tourism growth seen in previous years loses momentum. Imports are projected to rebound in 2027, reflecting energy restocking, investment and the recovery in domestic demand, before normalising in 2028. Net exports are expected to make a small negative contribution over the forecast horizon.

Risks remain tilted to the downside. A faster monetary tightening by the Bank of Japan in response to persistently high inflation could weigh on domestic demand through higher borrowing costs and tighter financial conditions. On the upside, additional fiscal support could cushion the impact on households and, together with public investment under the new growth strategy, support growth.

Wage growth continues but gains remain uneven

The unemployment rate averaged 2.5% over the first nine months of 2026. Persistent labour shortages, driven by structural factors including population ageing, limited scope to raise

participation and modest immigration inflows, are expected to keep unemployment at 2.5% through 2028. Wage growth is projected to remain firm over the forecast horizon. The 2026 spring wage negotiations (*Shunto*) delivered a third consecutive year of wage increases above 5% at major firms, and demands are expected to remain elevated, with trade unions targeting increases of up to 6% in 2027. However, negotiated wage increases are unlikely to fully translate into economy-wide wage growth. Nearly 40% of workers are in non-regular or part-time jobs, where pay rises tend to be smaller, while high import costs constrain SMEs' capacity to raise wages.

Inflation set to moderate as the food tax is cut

The disinflationary trend that began in late 2025 continued into early 2026, with headline inflation falling to 1.3% in February, partly reflecting fuel subsidies. Inflation subsequently rebounded as higher global energy prices fed through to domestic costs, alongside persistent food and goods price pressures. Headline inflation reached 2.1% in September and is expected to remain elevated towards year-end, bringing the 2026 average to 1.8%, also due to a weakening yen. The planned food consumption tax cut is projected to exert a one-off negative effect on measured inflation in 2027, with the possible reintroduction of electricity and gas subsidies from December 2026 adding to the downward pressure. Inflation is forecast to rise again as the tax cut's statistical effect fades in 2028. The Bank of Japan is nevertheless expected to continue tightening its monetary policy gradually, as it examines price pressures, abstracting from the one-off effects of the tax cut.

Fiscal policy set to become more expansionary, adding to fiscal pressures

After narrowing to 0.7% of GDP in 2025, the general government deficit is projected to widen to 1.3% in 2026. This partly reflects the July supplementary budget of around 0.5% of GDP aimed at shielding households and businesses against rising energy costs. The deficit is expected to widen further in 2027 and 2028 to 2.1% and 2.4% of GDP respectively, partly reflecting the reduction in the food consumption tax from 8% to 1% for two years as of April 2027, which is estimated to lower revenue by around 0.7% of GDP annually. The projections do not include potential extensions of energy subsidies in 2027 nor additional spending under the government's growth strategy, as the budget for 2027 (for the fiscal year April – March) and related plans have yet to be finalised. The debt-to-GDP ratio is projected to decline from above 200% in 2025 to around 194% in 2028.

Table III.39.1: **Main features of country forecast – JAPAN**

	2025			Annual percentage change					
	bn JPY	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		666440.7	100.0	0.5	0.9	0.1	1.2	**0.9**	**0.7**	**0.6**
Private Consumption		350908.3	52.7	0.2	0.1	-0.6	1.3	**0.8**	**0.7**	**0.7**
Public Consumption		131593.9	19.7	1.7	-0.2	1.6	0.9	**2.3**	**1.0**	**1.1**
Gross fixed capital formation		186575.2	28.0	0.0	2.5	0.2	1.3	**0.0**	**0.9**	**0.7**
Exports (goods and services)		145306.2	21.8	2.1	3.1	2.2	2.5	**2.1**	**2.0**	**1.5**
Imports (goods and services)		148620.4	22.3	2.0	-0.4	1.7	3.8	**0.3**	**2.5**	**1.8**
GNI (GDP deflator)		707220.0	106.1	0.7	0.7	0.4	1.2	**0.0**	**0.4**	**0.3**
Contribution to GDP growth:		Domestic demand		0.5	0.7	0.1	1.2	**0.9**	**0.8**	**0.8**
		Inventories		0.0	-0.5	-0.1	0.3	**-0.3**	**0.0**	**0.0**
		Net exports		0.0	0.7	0.1	-0.3	**0.4**	**-0.1**	**-0.1**
Employment				0.2	0.5	0.6	0.7	**0.2**	**0.2**	**0.2**
Unemployment rate (a)				3.5	2.6	2.5	2.5	**2.5**	**2.5**	**2.5**
Compensation of employees / head				0.1	1.0	2.8	2.8	**2.7**	**2.6**	**2.6**
Unit labour costs whole economy				-0.2	0.6	3.3	2.3	**1.9**	**2.1**	**2.1**
Saving rate of households (b)				10.9	8.1	9.4	7.8	**7.9**	**7.9**	**8.0**
GDP deflator				0.0	4.6	3.2	3.4	**3.0**	**2.3**	**2.2**
Consumer price index				0.4	3.3	2.7	3.2	**1.8**	**1.1**	**1.5**
Terms of trade goods				-2.0	7.4	4.1	3.4	**0.2**	**0.8**	**1.2**
Trade balance (goods) (c)				0.1	-1.1	-0.4	-0.1	**0.2**	**0.2**	**0.5**
Current-account balance (c)				2.8	3.6	4.5	5.0	**4.3**	**4.0**	**3.9**
General government balance (c)				-5.7	-2.3	-1.7	-0.7	**-1.3**	**-2.1**	**-2.4**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				196.4	220.1	213.6	205.7	**199.2**	**196.4**	**194.1**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

40. CHINA

While Chinese growth has been robust, meeting the official targets in 2024 and 2025, the expansion has become increasingly uneven. Resilient external demand and manufacturing offset subdued consumption, weak investment and persistent structural vulnerabilities. Despite targeted fiscal stimulus, growth is projected to slow to 4.5% in 2026 and ease further to 4.4% and 4.3% in 2027 and 2028, respectively, as structural headwinds and downside external risks continue to weigh on the outlook.

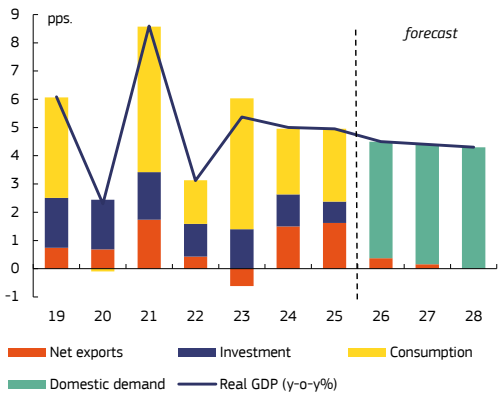
Growth moderation exposes China's widening economic divide

China's economy grew by 5.0% in 2025, meeting the official growth target for the second consecutive year, despite persistent domestic weaknesses. Growth was increasingly reliant on the external sector, as robust exports and successful market diversification helped offset weak domestic demand.

Economic growth reached 4.6% y-o-y in the first three quarters of 2026. Activity remained supported by manufacturing, particularly high-technology and equipment industries, underpinned by industrial upgrading and policy support. However, growth continued to be uneven as domestic demand showed few signs of recovery. Household consumption stayed subdued, and investment remains a considerable drag, constrained by the ongoing property sector correction, declining private investment and softer infrastructure spending. Exports retained their strength, surging by 36.3% y-o-y in September. However, with import growth also robust, the contribution of net exports to GDP growth is moderating. Inflationary pressures remained muted, reflecting persistent excess capacity and weak consumer demand. Producer prices have nevertheless been positive since March, largely driven by the energy price shock associated with the conflict in the Middle East rather than by a sustained recovery in domestic demand.

External demand is expected to cushion an easing growth trajectory

Graph III.40.1: **China - Real GDP growth and contributions**



Over the forecast horizon, growth is expected to continue being constrained by weak domestic demand, despite resilient manufacturing and exports. Household consumption is projected to recover only gradually. It is held back by weak income expectations, linked to the persistent property crisis and labour-market uncertainty. The fading effects of consumer goods trade-in subsidies, aimed at promoting purchases of energy-efficient products, are also set to weigh on consumption. While services consumption is expected to remain more resilient than spending on goods, the overall contribution of consumption to growth is projected to remain limited. Investment is also expected to continue being subdued, as the prolonged property sector correction, corporate deleveraging and weak private-sector confidence still weigh on capital formation. Real estate investment is projected to remain a significant drag, while the limited transmission of public investment to private activity continues to constrain a broader recovery. By contrast, investment in high-technology and AI-related industries is set to remain relatively strong, supported by policy priorities reaffirmed in the 15th Five-Year-Plan, alongside sustained external demand. The resulting divergence between dynamic technology-intensive sectors and weaker traditional industries is expected to persist, reflecting the continued imbalance between strong supply and subdued domestic demand.

Net exports are projected to continue supporting growth, although their contribution will remain exposed to external risks. Chinese exports should continue to benefit from the country's

competitiveness in manufacturing, the upgrading of its export base and strong demand for AI-related products. Import growth is expected to remain uneven. Demand for semiconductors and other technology inputs is set to support imports linked to export-oriented manufacturing, while weak domestic demand continues to constrain broader import growth. The current account surplus is projected to decline marginally but remain above 3% of GDP over the forecast horizon. Against this backdrop, real GDP growth is expected to reach 4.5% in 2026, before moderating to 4.4% in 2027 and 4.3% in 2028.

Policy support remains targeted despite downside risks

Fiscal policy is expected to remain moderately supportive over the forecast horizon. The authorities are maintaining a proactive stance, prioritising faster budget execution and bond issuance alongside targeted measures to support investment, consumption and the property market. However, the overall fiscal impulse will depend on the pace of implementation and the extent to which support translates into stronger domestic demand. On the monetary side, the authorities maintain a moderately accommodative stance, with a preference towards targeted lending facilities and lower policy-bank funding costs rather than towards broad-based interest-rate cuts.

Risks to the growth forecast remain tilted to the downside. As domestic demand is set to continue to underperform, China's growth model will remain dependent on external demand. While recent talks with the US and the EU have eased immediate trade tensions, the risk of renewed escalation remains. Domestically, policy support may prove insufficient or may come too late to offset persistent weakness in demand and investment, leaving growth at risk of falling short of the authorities' target. The property sector remains a further source of risk: although prices have stabilised in major metropolitan markets, secondary urban markets continue to face substantial oversupply, prolonging the correction and weighing on household confidence. Over the medium term, high debt, weak productivity growth, diminishing returns on investment and adverse demographic trends are set to continue constraining China's growth potential.

Table III.40.1: **Main features of country forecast - CHINA**

	2025			Annual percentage change					
	bn CNY	Curr. prices	% GDP	06-22	2023	2024	2025	2026	2027	2028
GDP		140187.9	100.0	8.0	5.4	5.0	5.0	**4.5**	**4.4**	**4.3**
Private consumption		56123.5	40.0	-	-	-	-	-	-	-
Public consumption		23659.5	16.9	-	-	-	-	-	-	-
Gross fixed capital formation		53043.7	37.8	-	-	-	-	-	-	-
Exports (goods and services)		28838.3	20.6	6.6	1.6	12.1	9.1	**7.5**	**5.7**	**3.8**
Imports (goods and services)		22985.1	16.4	7.0	6.1	5.4	1.5	**6.4**	**5.9**	**4.8**
GNI (GDP deflator)		-	-	-	-	-	-	-	-	-
Contribution to GDP growth:	Domestic demand			-	-	-	-	-	-	-
	Inventories			-	-	-	-	-	-	-
	Net exports			-	-	-	-	-	-	-
Employment				-	-	-	-	-	-	-
Unemployment rate (a)				4.5	5.1	5.1	5.1	-	-	-
Compensation of employees/head				-	-	-	-	-	-	-
Unit labour costs whole economy				-	-	-	-	-	-	-
Saving rate of households				-	-	-	-	-	-	-
GDP deflator				3.4	-0.5	-0.8	-0.9	**-0.2**	**1.0**	**1.3**
Consumer price index (c)				2.5	0.2	0.2	0.0	-	-	-
Terms of trade goods (b)				-	-	-	-	-	-	-
Trade balance (goods) (b)				3.8	3.3	4.3	5.4	**5.6**	**5.4**	**5.2**
Current-account balance (b)				3.3	1.4	2.5	3.8	**3.8**	**3.7**	**3.6**
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.

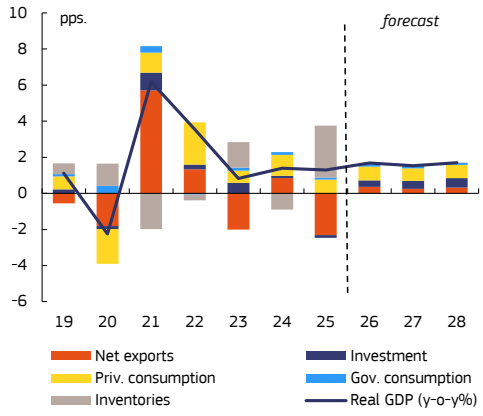
41. EFTA

The EFTA economies registered solid, better than expected growth in the first half of 2026. This moderate growth momentum is forecast to continue in 2027 and 2028, driven by resilient domestic demand, which offsets a subdued external demand and high energy prices. Overall, GDP growth in 2027 and 2028 is expected to be in the range of 1.5%-1.8% in Switzerland and Norway, while output growth is set to be slightly stronger in Iceland, at 2.0%-2.3%. Inflation is projected to continue moderating in Iceland and Norway, to 2.7% and 2.2% respectively by 2028, while remaining close to 1% in Switzerland. This is projected to support disposable income and domestic demand. Public finances are expected to remain sound despite a challenging environment.

Switzerland

Economic growth was stronger than expected in the first half of 2026, at 1.7%, mainly thanks to a strong performance of chemical and pharmaceutical exports, but also due to solid domestic demand. Private consumption was the key growth driver, benefiting from a resilient labour market and low inflation, which remained at 0.5% in the first nine months of 2026, after 0.2% in 2025. Core inflation remained at some 0.3% y-o-y in the first nine months of the year. The low inflation was supported by moderate import price growth as well as the strength of the Swiss franc, reflecting its status as a safe-haven currency. In view of low inflationary pressures, the Swiss National Bank kept its policy rate at 0.0%, unchanged since June 2025. Employment growth remained moderate, and the increase was driven in particular by the service sector, notably tourism, transport, health and social services as well as in retail trade. Despite that increase, unemployment rose slightly, to 3.1% in July. Elevated global uncertainty contributed to subdued investment remained. Switzerland's fiscal policy centres on the debt brake, which aims to stabilise public debt by balancing the budget over the economic cycle. Following a slight fiscal surplus of 0.5% of GDP in 2024, the federal budget was balanced in 2025.

Graph III.41.1: **Switzerland - Real GDP growth and contributions**



During the forecast period, private consumption is expected to remain the primary driver of growth, fuelled by a solid increase in real disposable income. Investment growth is projected to remain subdued in view of the uncertain international environment. In 2027 and 2028, the projected recovery of global demand is expected to help to raise GDP growth. In view of moderate output growth, employment increase is projected to remain subdued. In a context of moderate expansion of the labour force, unemployment rates are forecast to remain stable. Despite higher energy prices, inflationary pressures are expected to be contained, due to a strong currency and a low share of energy imports in total imports. The fiscal deficit is expected to remain close to balance, reflecting the country's balanced budget rule. Thus, the debt ratio is set to continue declining.

Among the country-specific risks to the outlook is the possibility of a continued currency appreciation, resulting from the currency's safe-haven status, which could impede export growth.

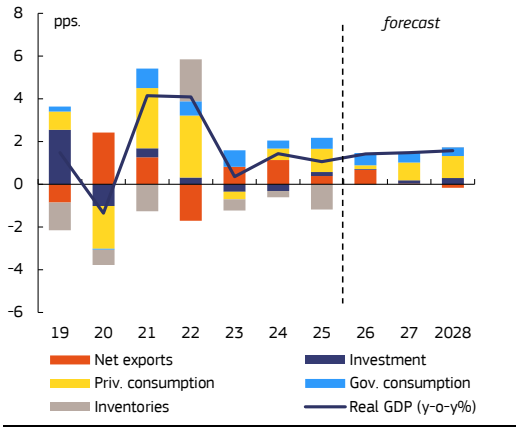
Norway

Economic activity accelerated in the first half of 2026, with real GDP growing by 1.8% y-o-y, following a flat growth rate in the same period of the previous year. The main driver of the pick-up was a positive contribution of net exports to growth, as exports rose at a faster pace than imports.

Further positive contributions came from the continued, albeit slower expansion of private consumption and from a solid increase in government consumption. Investment dropped in the first half of 2026, compared with a modest rise in the same period a year before, mainly due to the decline in oil-sector investment and inventories. Annual average consumer price inflation stood at 3.2% in the first nine months of 2026 compared with 3% in the same period of the previous year, still well above the central bank's target of 2%. On 23 September, the Central Bank raised the policy rate by 25 bps. to 4.5%, after a previous increase by 25 bps. in May.

Economic growth is projected to strengthen slightly in 2026. Net exports are set to contribute positively to growth, supported by stronger external demand and slower import growth. Private consumption is expected to moderate as growth in households' real disposable income decelerates, reflecting slower wage and employment growth and elevated inflation. Public consumption growth is set to accelerate, partly due to increased spending on healthcare, security and defence. Investment growth is projected to be subdued, with business investment set to grow at roughly the same pace as in 2025, while oil-sector investment is projected to decline after three years of strong growth. The recovery in housing investment is expected to be sluggish due to high input prices and higher interest rates.

Graph III.41.2: **Norway - Real GDP growth and contributions**



Annual output growth is forecast to accelerate marginally in 2027 and 2028, mainly driven by a pick-up in private consumption due to stronger purchasing power and improved consumer confidence. Imports are projected to grow faster than exports, reflecting pent-up domestic demand and resulting in a slightly negative contribution of the external sector to growth. The government's fiscal surplus, which stood at 10.5% of GDP in 2025, is projected to diminish during 2026-28. The 2027 budget implies an approximately neutral fiscal stance. The structural non-oil fiscal deficit is expected to remain broadly unchanged at 12.6% of mainland GDP (which excludes oil and gas sector), while the overall balance is expected to remain in surplus, with oil revenue spending equivalent to 2.7% of the sovereign wealth fund's assets. Domestic risks to the outlook are tilted to the downside. A depreciation of the krone could fuel inflationary pressures, subject mainly to the development of prices for hydrocarbons. This could also diminish household spending. Housing investment may continue to face uncertainty around interest rate developments and the rising debt service burden, given the high level of household indebtedness. Regarding the external environment, the uncertainty arising from geopolitical tensions is likely to weigh on export demand while the volatility of energy prices presents both upside and downside risks.

Iceland

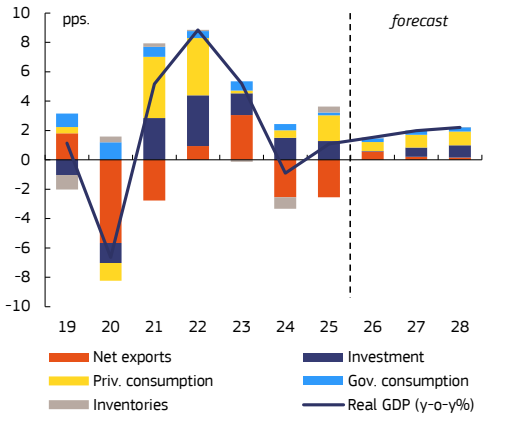
In the first half of 2026, real GDP increased by 1.3% y-o-y, compared to 3.3% y-o-y in the same period of the year earlier. This slowdown was the result of softening private consumption and investment, while exports plunged due to a decline in marine and aluminium products. Export services contracted in winter season, but it was followed by a recovery in summer months. Following tax hikes on fuel and vehicles in early 2026 and the increase in fuel prices in spring, inflation was above 5% in the first half of 2026 and surged to 5.9% in September. In response to inflationary pressures, the central bank raised the key policy rate to 8%.

The outlook for 2026 is for a mild recovery amid external headwinds. Private consumption is set to remain moderate, in line with high inflation and monetary tightening, while investment is forecast to stagnate after the completion of large-scale investments in data centres in 2025. Export growth is set to be weak due to a contraction in the country's key export sectors, aluminium and fishing while a positive impact is expected from data centre services, high-tech and pharmaceuticals. The

increase of tourism services is projected to be limited due to a weak performance in the first quarter of 2026. Imports are set to contract in line with subdued domestic demand. In 2027-28, GDP growth is forecast to strengthen as lower inflation and a less restrictive monetary stance boost private consumption and investment. Export growth is set to recover as a result of a rebound in traditional sectors, with further support coming from innovation-based sectors (including pharmaceuticals, biotechnologies, data centres) and land-based aquaculture. Imports are set to increase in line with growing private consumption and investment.

In line with the cooling economy, the unemployment rate started to increase during the summer and is forecast to remain above 4% in 2026. Employment growth is set to improve in 2027-28 in line with accelerating GDP growth. From January-September 2026, monthly inflation exceeded 5% y-o-y due to a combination of domestic and external factors. The outlook for inflation is to moderate in 2027-28 due to an expected reduction in energy prices, but to remain above the Central Bank target of 2.5%. In 2026, the government aims for ambitious fiscal consolidation and targets a budget deficit of 0.9% of GDP. Consolidation is supported by measures on both the revenue and expenditure side, including streamlining social benefits, new taxation of cars and the full-year impact of the fishery levy introduced in 2025. Fiscal outlook for 2027-28 is expected to feature a continuous consolidation aiming at achieving a balanced budget and reducing inflationary pressures.

Graph III.41.3: **Iceland - Real GDP growth and contributions**



Risks to the outlook are tilted to the downside given the challenging global environment. Risks to inflation are tilted to the upside in case of stronger-than-expected wage pressures.

Table III.41.1: **Main features of country forecast – EFTA**

		Iceland				Norway				Switzerland			
(Annual percentage change)		**2025**	**2026**	**2027**	**2028**	**2025**	**2026**	**2027**	**2028**	**2025**	**2026**	**2027**	**2028**
GDP		1.1	**1.5**	**2.0**	**2.2**	1.1	**1.4**	**1.5**	**1.6**	1.3	**1.7**	**1.5**	**1.7**
Private Consumption		3.6	**1.2**	**1.7**	**1.9**	2.6	**0.4**	**2.0**	**2.5**	1.5	**1.5**	**1.4**	**1.5**
Public Consumption		0.7	**1.0**	**1.1**	**1.1**	2.4	**2.5**	**2.1**	**1.8**	1.0	**1.5**	**1.1**	**1.0**
Gross fixed capital formation		4.8	**0.2**	**2.4**	**3.2**	0.8	**0.2**	**0.7**	**1.3**	-0.5	**1.4**	**1.7**	**2.0**
Exports (good and services)		1.5	**0.2**	**3.8**	**3.4**	2.7	**2.9**	**2.2**	**2.1**	4.8	**2.2**	**2.5**	**2.5**
Imports (goods and services)		7.3	**-1.1**	**3.1**	**2.9**	2.6	**1.9**	**3.1**	**3.6**	9.7	**1.9**	**2.4**	**2.4**
GNI (GDP deflator)		1.8	**1.5**	**2.0**	**2.2**	1.3	**0.9**	**1.5**	**1.6**	-1.6	**1.7**	**1.5**	**1.7**
Contribution to GDP growth:	Domestic demand	3.2	**0.9**	**1.8**	**2.1**	1.8	**0.8**	**1.4**	**1.7**	0.7	**1.3**	**1.3**	**1.4**
	Inventories	0.4	**0.0**	**0.0**	**0.0**	-1.2	**0.0**	**0.0**	**0.0**	2.9	**0.0**	**0.0**	**0.0**
	Net exports	-2.5	**0.6**	**0.2**	**0.2**	0.4	**0.7**	**0.0**	**-0.2**	-2.3	**0.4**	**0.3**	**0.3**
Employment		0.5	**0.5**	**0.9**	**0.7**	0.7	**0.4**	**0.5**	**0.6**	0.4	**0.7**	**0.5**	**1.1**
Unemployment rate (a)		4.5	**4.3**	**4.1**	**3.7**	4.5	**4.5**	**4.4**	**4.3**	4.8	**5.0**	**5.1**	**4.7**
Compensation of employees / head		6.8	**5.4**	**3.8**	**3.3**	4.2	**4.2**	**3.8**	**3.6**	0.7	**1.7**	**1.5**	**1.8**
Unit labour cost whole economy		6.1	**4.3**	**2.7**	**1.7**	3.8	**3.1**	**2.8**	**2.6**	-0.2	**0.6**	**0.5**	**1.2**
Saving rate of households (b)		10.0	:	:	:	:	:	:	:	:	:	:	:
GDP deflator		6.8	**5.0**	**3.4**	**2.5**	1.3	**5.9**	**2.3**	**2.2**	0.3	**1.0**	**1.0**	**1.0**
National index of consumer prices		4.1	**5.2**	**3.7**	**2.7**	3.0	**3.1**	**2.6**	**2.2**	0.2	**0.8**	**1.0**	**1.2**
Terms of trade goods		4.4	**-1.0**	**-0.5**	**0.0**	-4.3	**8.6**	**0.0**	**-0.2**	-2.3	**-0.2**	**-0.2**	**-0.1**
Trade balance (goods) (c)		-7.9	**-7.2**	**-7.1**	**-6.9**	12.9	**14.9**	**14.5**	**14.3**	10.4	**10.3**	**10.5**	**10.7**
Current account balance (c)		-4.0	**-2.3**	**-2.0**	**-1.5**	13.9	**15.8**	**15.4**	**15.0**	5.7	**5.6**	**5.7**	**6.0**
General government balance (c)		-2.6	**-0.9**	**-0.3**	**-0.3**	10.5	**9.9**	**9.7**	**9.3**	0.2	**0.0**	**-0.1**	**0.0**
General government gross debt (c)		47.1	**45.3**	**43.4**	**41.7**	54.4	**48.7**	**45.3**	**41.4**	24.2	**23.7**	**23.2**	**22.7**

(a) as % of total labour force. (b) gross saving divided by adjustd gross disposable income. (c)as a % of GDP.

42. RUSSIAN FEDERATION

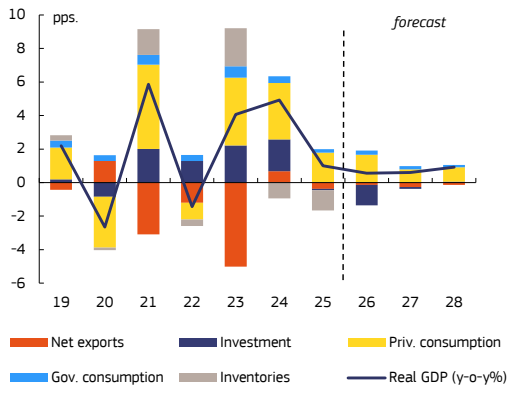
After slowing to 1% in 2025, real GDP growth in Russia is expected to drop further to 0.6% in 2026 and stagnate in 2027 despite the elevated oil and gas prices. A slight pickup, to 0.9%, is projected in 2028. Inflation increased again in late 2026. While it is expected to continue its downward trajectory over the forecast horizon, it is projected to stay above the Central Bank's target of 4%. As long as Russia continues its war of aggression against Ukraine, war-related spending is set to continue driving both federal and regional expenditure, resulting in continued general government deficits and rising government debt.

Despite high oil and gas prices, civilian investment is declining in the war economy

Russian economic growth slowed to 0.6% y-o-y in the first half of 2026, from 1% on average in 2025. While private and government demand provided limited support to growth, civilian industries are heavily affected by Russia's war of aggression against Ukraine, Ukrainian counterstrikes and western sanctions [61]. Investment contracted sharply by 8.1% y-o-y in the first half of 2026, following a decline of 0.4% in 2025. While sectors linked to the military continue to benefit from government demand and preferential credit, high interest rates and international sanctions are still weighing heavily on civilian industries. Private consumption continues to benefit from robust real wage growth, underpinned by a persistently tight labour market reflecting war-related and demographic pressures. At the same time, the support of elevated oil and gas prices to the real economy has been relatively limited, as windfall gains have been absorbed by existing imbalances, such as high debt levels, and are used to rebuild buffers.

High-frequency indicators point to continued slow growth. Real GDP growth slowed to 0.6% y-o-y in July, from 1.7% in June, before edging up slightly to 0.8% in August. The manufacturing PMI briefly returned to expansionary territory over the summer but fell back below the 50-point threshold in August and September. Business confidence remains weak. Growth in retail sales lost momentum after a strong second quarter, as consumer confidence fell to its lowest level since early 2023 in the third quarter.

Graph III.42.1: **Russia - Real GDP growth and contributions**



Continued military spending, capacity constraints and high interest rates are set to weigh on Russia's economic activity over the forecast horizon. Investment is expected to contract markedly in 2026 and essentially stagnate thereafter. Hydrocarbon windfall gains are projected to be used largely for corporate deleveraging, providing limited support to new investment. Private consumption is set to remain the main driver of growth in 2026, but to lose momentum in 2027 and 2028, due to slower real wage growth. Among other factors, Ukrainian counterstrikes on Russian fuel infrastructure are projected to cause exports to contract slightly in 2026. Exports are forecast to decline further in 2027 as the exceptional demand for sanctioned Russian oil linked to the Middle East conflict subsides. Overall, amid weaker domestic demand and more limited support from energy windfall revenue than previously expected, GDP growth is projected to slow to 0.6% in both 2026 and 2027, before edging up to 0.9% in 2028.

[61] Some analysts have argued that Russia's economic situation is worse than official data suggest. While not all economic arguments supporting this view are convincing, data manipulation cannot be fully ruled out in the context of Russia's war of aggression. It is striking, however, that even the official data by now clearly indicate an economic deterioration.

Inflation is expected to stay above target until 2028

The disinflationary process has come to an end. After bottoming out at 5.3% in May, inflation picked up again, reaching 6.3% in September. Ukrainian counterstrikes on Russian fuel infrastructure have added to price pressures, compounding the effects of expansionary fiscal policy and robust wage growth. Further increases in fiscal spending are set to largely translate into inflation, as the economy is already operating at capacity. Wage growth is expected to slow somewhat over the forecast horizon, while the unemployment rate is projected to remain at its historic low of 2.2% in 2026 before edging up marginally to 2.4% by 2028. Against this background, the Central Bank has so far only cautiously cut its policy interest rate – it stood at 14.0% in October. As a result, real interest rates remain high and weigh on economic activity. In sum, inflation is expected to be higher than forecast in spring, but to stay on its downward trajectory, averaging 6.2% in 2026, 5.5% in 2027 and 5.0% in 2028.

Deficit to widen as military spending increases further

Russia's federal deficit is set to widen again in 2026 and to reach its highest level since the pandemic, as federal spending is projected to increase by 13% y-o-y. Despite the windfall hydrocarbon gains, oil and gas revenues net of fuel-related subsidy payments are projected to decline by 11% y-o-y, partly reflecting increases in subsidies. With non-energy revenue more than offsetting this shortfall, overall federal revenue is expected to grow by 10% in 2026. Although military spending for 2027 and 2028 has been revised upwards, planned expenditure still remains unrealistically low in the context of Russia's ongoing war of aggression. Overall, general government deficits are projected at 3.6% of GDP in 2026, 3.9% in 2027 and 4.2% in 2028, translating into an increase in general government gross debt to some 25% of GDP by 2028.

Considerable risks largely tilted to the downside

Potential further sanctions and likely counterstrikes on strategic assets in response to Russia's continued war of aggression could further hamper exports and fuel inflation, requiring a monetary policy response that would further constrain investment. Another risk to Russia's current economic model is a sovereign funding crunch, a credit event or both. Sharply reduced demand for Russian sovereign debt, drastically higher-than-expected military spending and a further marked deterioration in corporate loan portfolios could trigger this. The clearest upside risk to growth is a prolonged conflict in the Middle East or a stronger impact thereof on oil prices, benefiting Russia.

Table III.42.1: **Main features of country forecast - RUSSIA**

	2025			Annual percentage change					
	bn RUB	Curr. prices	% GDP	07-22	2023	2024	2025	2026	2027	2028
GDP		214261.0	100.0	1.7	4.1	4.9	1.0	**0.6**	**0.6**	**0.9**
Private Consumption		109840.7	51.3	2.8	8.6	6.7	3.6	**3.2**	**1.6**	**1.7**
Public Consumption		40925.5	19.1	1.0	4.0	2.2	1.1	**1.3**	**1.0**	**0.7**
Gross fixed capital formation		49472.0	23.1	2.6	11.0	8.6	-0.4	**-5.3**	**-0.5**	**0.3**
Exports (goods and services)		39002.1	18.2	1.1	-11.0	3.0	-0.9	**-0.3**	**-0.8**	**0.0**
Imports (goods and services)		33225.4	15.5	1.6	13.0	0.0	1.0	**0.5**	**0.7**	**0.9**
GNI (GDP deflator)		212767.7	99.3	1.7	4.9	5.0	1.6	**0.7**	**0.7**	**1.0**
Contribution to GDP growth:		Domestic demand		2.3	7.4	5.8	1.9	**0.7**	**0.9**	**1.1**
		Inventories		-0.1	2.3	-0.9	-1.2	**0.0**	**0.0**	**0.0**
		Net exports		-0.3	-5.0	0.7	-0.4	**-0.1**	**-0.3**	**-0.1**
Employment				0.2	2.9	0.5	0.1	**0.4**	**-0.1**	**-0.2**
Unemployment rate (a)				5.7	3.1	2.5	2.2	**2.2**	**2.3**	**2.4**
Compensation of employees / head				:	:	:	:	:	:	:
Unit labour costs whole economy				:	:	:	:	:	:	:
Saving rate of households (b)				:	:	:	:	:	:	:
GDP deflator				9.3	6.7	10.7	4.9	**9.6**	**4.9**	**1.8**
Consumer price index				7.9	5.9	8.4	8.7	**6.2**	**5.5**	**5.0**
Terms of trade goods				:	-16.6	-0.3	-2.0	**22.9**	**-4.2**	**-17.7**
Trade balance (goods) (c)				9.3	6.0	6.1	4.6	**7.7**	**6.8**	**3.4**
Current-account balance (c)				4.5	2.4	2.9	1.5	**5.1**	**4.2**	**0.9**
General government balance (c)				0.5	-2.2	-1.6	-3.9	**-3.6**	**-3.9**	**-4.2**
Structural budget balance (d)				:	:	:	:	:	:	:
General government gross debt (c)				12.9	15.2	14.8	17.8	**19.6**	**22.5**	**24.9**

(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.

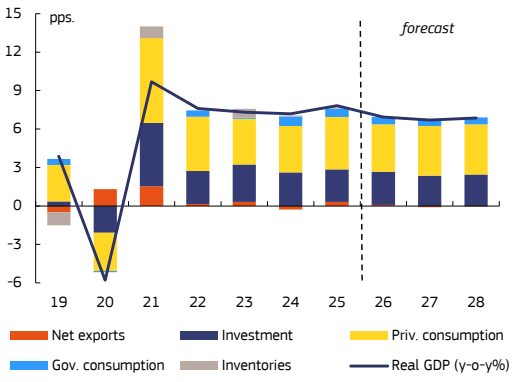
43. INDIA

Despite its heavy reliance on energy imports, India's economy has so far proved resilient to the impacts of the Middle East conflict and its growth rates are set to remain strong. Growth is set to ease only slightly to 6.9% this fiscal year and to 6.7% in the next fiscal year, before picking up towards the end of the forecast horizon, with domestic demand remaining the main driver. The energy shock is temporarily raising inflation and widening the external and fiscal deficits, which are all nonetheless projected to gradually improve over the forecast horizon.

The economy remained resilient despite substantial exposure to the conflict in the Middle East

Despite India's large exposure as a major energy importer, the economy proved resilient to the shocks triggered by the Middle East conflict and expanded by 7.8% y-o-y in 2026-Q2 after 8.6% y-o-y in 2026-Q1. Supply disruptions have been more limited than expected, in part due to the geographical diversification of energy imports. Domestic demand remained the main driver of growth in in the January-June period. In parallel to the continued healthy expansion in private consumption (+7.3% y-o-y in the first half of the year), investment strengthened markedly (+11.2% y-o-y). Public infrastructure spending continued to provide support, while signs emerged of a pick-up in capacity-expanding private-sector investment, supported by strong credit growth. At the same time, trade made a noticeable contribution to GDP growth, supported inter alia by the weakening rupee. Services exports remained strong while goods exports - including in engineering goods and electronics - picked up despite the challenging external environment.

Graph III.43.1: **India - Real GDP growth and contributions**



High-frequency indicators point to some moderation in the economic momentum in 2026-Q3. The PMI remained in expansionary territory, although the pace of expansion slowed from 2026-Q1, especially for (previously buoyant) services. Consumer confidence has softened and private consumption growth is expected to moderate in the coming months as rising inflation weighs on purchasing power. It is then set to firm up again starting next fiscal year (FY, April-March) as inflation eases. Sustained public investment in transport, energy and digital infrastructure is expected to continue. Solid corporate balance sheets and robust credit growth are projected to support private investment, despite the incipient limited monetary tightening implying some moderation in the near term. Overall, investment is expected to continue expanding over the forecast horizon. Net exports are set to make a broadly neutral contribution to growth over the forecast horizon, as sustained domestic demand fuels a strong import growth, offsetting the export dynamic, especially of services. Overall, real GDP growth is expected to reach 6.9% in FY 2026-27, moderate slightly to 6.7% in FY 2027-28 and pick up again to 6.9% in FY 2028-29.

External position set to weaken amid terms-of-trade shock

After a surplus of 0.6% of GDP in 2026-Q1 supported by higher services exports and buoyant remittances, the current account turned into a deficit in April-June 2026 (-0.5% of GDP). Since India imports around 90% of its crude oil needs, the merchandise trade deficit widened compared to April-June 2025, and net portfolio outflows continued, while strong services exports and remittances (+24% y-o-y) provided support. Some measures were taken to ease pressures from the Middle East conflict (such as incentives to attract capital inflows) and helped boost reserves substantially, but they did not end the pressure on the rupee. The current account deficit is expected to widen to 1.6% of GDP this FY (from 0.6% of GDP in FY 2025-26), driven by a widening

trade deficit despite resilient services exports. This is expected to be followed by a narrowing to 1.2% of GDP in FY 2028-29, supported by the gradually improving external environment.

The Middle East conflict has triggered monetary tightening, while effects on the public finances remain manageable

Consumer price inflation increased from 3.2% y-o-y in February to 5.5% in September 2026, close to the upper end of the 4% +/- 2pps. target range of the Reserve Bank of India (RBI). Amid the continuing depreciation of the rupee, the increase in inflation has been driven by the direct and indirect effects of the energy shock triggered by the Middle East conflict despite policy measures limiting the pass-through, and increasingly by food prices. Core inflation (excluding food and fuel) increased to 4.6% in September. For the first time since early 2023, the RBI raised its main policy rate in October (by 25 bps. s to 5.5%) while changing its policy stance to calibrated tightening, citing elevated inflation risks and broadening price pressures. Amid the continuing price pressures from energy and food (including due to below-average monsoon rains), inflation is forecast to average 5.1% this FY. It is then projected to moderate to 4.5% in FY 2027-28 and 4.0% in FY 2028-29 on the back of a normalisation in both energy and food prices.

The budget for FY 2026-27 adopted in February 2026 targeted a slight improvement in the federal balance. Since then, the Middle East conflict brought pressures for both expenditure (e.g. higher fertiliser and fuel subsidies) and revenues (e.g. lower excise duties on fuel), alleviated by the effect of dynamic domestic activity on revenues. Overall, the general government deficit is projected to reach 7.6% of GDP this FY (after 7.4% of GDP in FY 2025-26) before narrowing slightly to 7.4% of GDP by FY 2028-29. On the back of sustained nominal GDP growth, public debt is projected to see a reduction to 81.6% of GDP in FY2028-29.

Risks to India's growth outlook remain tilted to the downside and include a prolonged energy shock, renewed supply-chain disruptions or accelerated rupee depreciation, which could further fuel inflation and weigh on demand, while a quicker-than-expected normalisation of oil prices would provide support. In addition, renewed tariff tensions would pose a significant risk to exports, while recently concluded free trade agreements could benefit India's trade more than expected. Domestically, the effects of the El Niño phenomenon (especially in conjunction with another weak monsoon) could compound food inflation and weaken rural demand.

Table III.43.1: **Main features of country forecast - INDIA**

	2025			Annual percentage change					
	bn INR	Curr. prices	% GDP	12-22	2023	2024	2025	2026	2027	2028
GDP		345368.0	100.0	5.8	7.3	7.2	7.8	**6.9**	**6.7**	**6.9**
Private consumption		196179.6	56.8	6.1	6.2	6.4	7.2	**6.5**	**6.7**	**6.8**
Public consumption		37585.3	10.9	4.4	0.8	6.6	5.9	**5.2**	**5.1**	**5.0**
Gross fixed capital formation		109325.4	31.7	5.7	9.0	8.2	8.0	**8.2**	**7.2**	**7.5**
Exports (goods and services)		76693.1	22.2	5.6	1.1	4.9	6.4	**5.0**	**4.8**	**4.9**
Imports (goods and services)		84480.2	24.5	3.7	-0.2	5.7	4.6	**4.2**	**4.4**	**4.5**
GNI (GDP deflator)		340923.9	98.7	10.8	7.3	7.3	7.8	**7.0**	**6.8**	**7.0**
Contribution to GDP growth:		Domestic demand		5.6	6.6	7.0	7.3	**6.8**	**6.8**	**6.9**
		Inventories		-0.2	0.3	0.0	0.9	**0.0**	**0.0**	**0.0**
		Net exports		0.5	0.4	0.2	-0.4	**0.1**	**-0.1**	**0.0**
Employment				6.2	5.8	2.0	-1.8	**1.2**	**1.2**	**1.2**
Unemployment rate (a)				-	5.1	5.0	5.4	**5.5**	**5.5**	**5.5**
Compensation of employees/head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Saving rate of households				-	-	-	-	**-**	**-**	**-**
GDP deflator				4.8	3.5	2.0	0.7	**3.3**	**4.7**	**4.3**
Consumer price index (c)				1.4	5.7	4.9	2.2	**5.1**	**4.5**	**4.0**
Terms of trade goods (b)				-0.8	1.0	0.3	-2.8	**-5.1**	**1.5**	**0.5**
Trade balance (goods) (b)				-4.3	-6.9	-7.6	-8.0	**-9.4**	**-8.8**	**-8.4**
Current-account balance (b)				-0.4	-0.7	-0.6	-0.7	**-1.6**	**-1.4**	**-1.2**
General government balance (b)				-8.0	-8.3	-8.1	-7.4	**-7.6**	**-7.5**	**-7.4**
Structural budget balance				-	-	-	-	**-**	**-**	**-**
General government gross debt (b)				74.9	84.7	84.8	84.4	**83.9**	**82.6**	**81.5**

(a) as % of total labour force. (b) as a percentage of GDP. (c) national indicator. National accounts, Balance of Payments, and Government Finance variables are reported in fiscal years (April to March).

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Statistical Annex

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Table 1: Gross domestic product, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.7	1.2	1.9	1.6	0.9	0.9	**0.7**	**0.8**	**1.2**	*1.0*	*0.7*	*0.9*
Bulgaria	1.4	1.9	2.5	2.0	3.3	3.0	**2.7**	**2.1**	**2.3**	*3.1*	*2.5*	*2.2*
Germany	0.7	1.9	0.8	-1.0	0.0	0.2	**1.3**	**1.0**	**0.7**	*0.2*	*0.6*	*0.9*
Estonia	-1.5	3.1	2.6	-2.9	0.1	1.3	**2.2**	**2.1**	**2.3**	*0.6*	*1.6*	*1.7*
Ireland	-1.4	9.2	8.8	-3.3	3.6	8.0	**-0.4**	**3.9**	**3.6**	*12.3*	*-1.2*	*3.4*
Greece	-5.7	-0.1	1.7	2.0	2.1	2.1	**1.8**	**1.5**	**1.5**	*2.1*	*1.8*	*1.6*
Spain	-1.3	2.0	1.1	2.4	3.7	2.6	**2.6**	**2.1**	**1.9**	*2.8*	*2.4*	*1.9*
France	0.4	1.2	1.1	1.6	1.5	0.8	**0.4**	**0.6**	**1.4**	*0.8*	*0.8*	*1.1*
Croatia	-1.7	1.6	3.5	3.8	3.9	3.5	**2.1**	**2.4**	**2.3**	*3.4*	*2.7*	*2.5*
Italy	-1.5	0.5	1.2	1.0	1.1	0.6	**1.0**	**0.7**	**0.8**	*0.5*	*0.5*	*0.6*
Cyprus	0.1	1.4	5.7	6.0	6.6	4.8	**3.4**	**3.0**	**3.2**	*3.8*	*2.3*	*2.7*
Latvia	-2.9	2.8	2.0	-1.0	0.5	2.2	**2.6**	**1.8**	**2.2**	*2.1*	*1.4*	*1.6*
Lithuania	-0.5	3.6	3.4	2.9	3.0	3.0	**2.7**	**2.2**	**2.3**	*2.9*	*3.0*	*2.1*
Luxembourg	0.6	2.9	1.9	0.1	2.1	1.4	**1.3**	**1.8**	**2.0**	*0.6*	*1.6*	*2.0*
Malta	2.8	8.1	4.9	7.1	5.3	4.7	**3.9**	**3.5**	**3.8**	*4.0*	*3.7*	*3.6*
Netherlands	0.1	1.8	2.3	-0.6	1.1	1.6	**1.8**	**1.5**	**1.6**	*1.8*	*1.0*	*1.1*
Austria	0.6	1.2	1.6	-0.7	-0.3	0.7	**0.8**	**1.2**	**1.1**	*0.6*	*0.6*	*0.9*
Portugal	-1.4	1.3	1.9	3.1	2.7	1.9	**2.3**	**1.9**	**2.1**	*1.9*	*1.7*	*1.8*
Slovakia	2.1	2.7	2.0	2.5	2.6	0.9	**0.8**	**1.6**	**1.5**	*0.8*	*0.8*	*1.5*
Slovenia	-1.1	2.5	2.9	2.6	2.0	1.5	**3.9**	**2.9**	**2.5**	*1.1*	*1.9*	*2.3*
Finland	-0.7	1.0	0.6	-1.2	1.0	0.8	**1.6**	**1.6**	**1.5**	*0.2*	*0.8*	*1.4*
Euro area (21)	-0.3	1.6	1.5	0.4	1.3	1.2	**1.2**	**1.2**	**1.3**	*1.4*	*0.9*	*1.2*
Czechia	0.3	3.0	1.5	0.0	1.3	2.6	**1.8**	**2.5**	**2.1**	*2.6*	*1.8*	*2.4*
Denmark	-0.5	2.2	1.7	1.1	3.9	3.5	**4.5**	**2.0**	**2.1**	*2.9*	*1.9*	*1.8*
Hungary	-0.9	3.3	3.5	-0.7	0.7	0.7	**1.8**	**2.8**	**2.9**	*0.5*	*1.8*	*2.1*
Poland	3.4	3.4	4.1	0.2	3.2	3.8	**3.5**	**2.7**	**2.7**	*3.6*	*3.5*	*2.8*
Romania	1.1	3.7	3.4	2.5	1.1	0.8	**-0.3**	**1.8**	**2.2**	*0.7*	*0.1*	*2.3*
Sweden	0.6	2.4	1.8	-0.2	2.0	1.4	**2.8**	**2.2**	**1.5**	*1.5*	*1.8*	*2.2*
EU	-0.1	1.8	1.6	0.4	1.4	1.4	**1.4**	**1.4**	**1.5**	*1.5*	*1.1*	*1.4*
United Kingdom	0.1	2.6	1.1	0.4	1.1	1.2	**1.3**	**1.2**	**1.4**	*1.4*	*0.7*	*1.2*
Japan	-0.4	1.4	0.2	0.9	0.1	1.2	**0.9**	**0.7**	**0.6**	*1.2*	*0.6*	*0.6*
United States	0.8	2.1	2.4	2.9	3.0	2.3	**2.3**	**2.1**	**2.0**	*2.1*	*2.2*	*2.1*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2026-28) 03.11.2026

	2026/1	2026/2	2026/3	2026/4	2027/1	2027/2	2027/3	2027/4	2028/1	2028/2	2028/3	2028/4
Belgium	0.2	0.1	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4
Bulgaria	0.7	0.7	0.7	0.3	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Germany	0.4	0.3	0.2	0.3	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Estonia	1.0	0.3	0.6	0.2	0.5	0.6	0.8	0.8	0.4	0.5	0.4	0.4
Ireland	-7.8	10.2	:	:	:	:	:	:	:	:	:	:
Greece	0.2	0.3	:	:	:	:	:	:	:	:	:	:
Spain	0.6	0.7	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.4
France	-0.2	0.0	-0.1	0.2	0.1	0.1	0.2	0.2	0.5	0.5	0.5	0.5
Croatia	0.1	0.4	1.0	0.7	0.3	0.6	0.8	0.8	0.4	0.5	0.6	0.6
Italy	0.3	0.2	0.0	0.1	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2
Cyprus	0.3	1.2	:	:	:	:	:	:	:	:	:	:
Latvia	0.8	0.9	0.2	0.1	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Lithuania	0.1	1.4	-1.0	1.2	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6
Luxembourg	0.3	-0.9	0.8	0.8	0.3	0.3	0.4	0.5	0.5	0.5	0.6	0.5
Malta	0.5	1.1	:	:	:	:	:	:	:	:	:	:
Netherlands	0.3	0.7	0.6	0.3	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Austria	0.3	-0.1	0.2	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Portugal	0.2	0.9	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Slovakia	0.2	0.2	0.1	0.1	0.6	0.6	0.5	0.5	0.4	0.2	0.2	0.2
Slovenia	0.9	1.9	0.1	0.2	0.9	0.9	0.9	0.8	0.5	0.5	0.5	0.5
Finland	0.7	0.4	0.5	0.2	0.4	0.5	0.5	0.5	0.3	0.3	0.3	0.3
Euro area (21)	0.6	0.4	0.4	0.4	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.4
Czechia	0.1	0.3	0.5	0.7	0.6	0.7	0.7	0.7	0.4	0.4	0.4	0.5
Denmark	1.7	0.9	0.1	0.3	0.3	0.8	0.8	0.7	0.4	0.3	0.3	0.4
Hungary	0.6	0.6	0.1	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Poland	0.6	1.1	0.8	0.9	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.8
Romania	-0.1	0.0	1.7	1.4	0.0	0.0	-0.6	0.1	1.0	0.9	1.0	1.2
Sweden	-0.1	1.5	0.4	0.7	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
EU	0.7	0.5	0.5	0.4	0.2	0.3	0.3	0.3	0.5	0.5	0.5	0.5
United Kingdom	0.6	0.5	0.5	-0.3	0.3	0.5	0.5	0.4	0.4	0.3	0.1	0.3
Japan	0.5	0.4	0.2	0.1	0.0	0.3	0.2	0.2	0.1	0.1	0.1	0.1
United States	0.6	0.6	0.8	0.4	0.5	0.5	0.5	0.4	0.5	0.5	0.6	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, 2026-28) 03.11.2026

	2026/1	2026/2	2026/3	2026/4	2027/1	2027/2	2027/3	2027/4	2028/1	2028/2	2028/3	2028/4
Belgium	0.8	0.7	0.7	0.8	0.7	0.8	0.8	0.9	1.1	1.1	1.2	1.3
Bulgaria	2.9	2.8	2.8	2.3	2.2	2.1	1.9	2.2	2.3	2.3	2.3	2.4
Germany	0.6	1.0	1.2	1.3	1.0	0.9	0.8	0.7	0.8	0.9	1.0	1.1
Estonia	2.7	1.8	2.2	2.1	1.6	1.9	2.2	2.8	2.7	2.6	2.2	1.7
Ireland	-13.4	-0.4	:	:	:	:	:	:	:	:	:	:
Greece	2.0	1.9	2.2	:	:	:	:	:	:	:	:	:
Spain	2.6	2.6	2.7	2.5	2.3	2.2	2.1	2.0	2.0	1.9	1.9	1.9
France	0.8	0.5	-0.1	-0.1	0.2	0.3	0.7	0.7	1.1	1.5	1.8	2.1
Croatia	2.4	1.7	2.5	2.2	2.5	2.7	2.4	2.5	2.6	2.5	2.3	2.1
Italy	0.9	1.0	:	:	0.4	0.5	0.8	1.0	1.1	1.1	1.0	1.0
Cyprus	3.0	3.3	3.8	3.4	:	:	:	:	:	:	:	:
Latvia	2.9	3.4	2.7	2.0	1.7	1.4	1.7	2.1	2.1	2.1	2.2	2.2
Lithuania	2.8	3.9	2.3	1.8	2.3	1.4	2.9	2.2	2.2	2.2	2.2	2.3
Luxembourg	2.8	1.3	0.7	1.1	1.1	2.2	1.8	1.5	1.7	1.9	2.1	2.1
Malta	4.6	5.0	:	:	:	:	:	:	:	:	:	:
Netherlands	1.4	1.8	2.1	1.9	1.9	1.6	1.3	1.4	1.5	1.6	1.6	1.6
Austria	1.2	0.8	0.6	0.8	0.8	1.3	1.4	1.3	1.2	1.2	1.1	1.0
Portugal	2.4	2.6	2.3	1.9	2.1	1.7	2.1	2.1	2.1	2.1	2.1	2.2
Slovakia	1.0	0.9	0.8	0.6	1.0	1.4	1.8	2.3	2.0	1.7	1.4	1.1
Slovenia	3.4	4.9	3.7	3.1	3.2	2.1	2.9	3.5	3.1	2.7	2.3	2.0
Finland	1.1	1.5	2.1	1.9	1.5	1.6	1.6	1.9	1.8	1.6	1.4	1.2
Euro area (21)	0.6	1.2	1.3	1.4	1.6	1.2	1.0	0.9	1.2	1.4	1.6	1.7
Czechia	2.1	1.8	1.6	1.6	2.1	2.5	2.7	2.7	2.5	2.3	2.0	1.8
Denmark	6.4	5.7	3.2	3.0	1.5	1.4	2.2	2.6	2.7	2.2	1.8	1.5
Hungary	1.9	1.7	1.5	2.1	2.3	2.5	3.2	3.2	3.1	3.0	2.8	2.7
Poland	3.6	4.0	3.6	3.4	3.3	2.8	2.5	2.3	2.4	2.6	2.7	2.9
Romania	-1.4	-1.9	-0.1	3.0	3.2	3.2	0.8	-0.6	0.4	1.2	3.0	4.1
Sweden	2.3	3.2	2.8	2.5	3.1	2.1	2.1	1.8	1.7	1.6	1.4	1.3
EU	0.9	1.4	1.5	1.6	1.8	1.4	1.2	1.1	1.3	1.5	1.7	1.8
United Kingdom	0.8	1.4	1.7	1.4	1.1	1.0	0.9	1.6	1.7	1.5	1.2	1.2
Japan	0.5	0.7	1.3	1.2	0.7	0.7	0.7	0.8	0.9	0.7	0.6	0.4
United States	2.6	2.2	2.1	2.5	2.3	2.3	1.9	1.9	1.9	1.9	2.0	2.1

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 4: Gross domestic product per capita (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			*Spring 2026 Forecast*		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	*2025*	*2026*	*2027*
Belgium	-0.2	0.8	1.4	0.7	0.3	0.5	**0.3**	**0.5**	**0.9**	*0.5*	*0.3*	*0.6*
Bulgaria	2.5	3.3	3.6	2.3	3.4	3.2	**3.1**	**2.5**	**2.8**	*3.4*	*2.7*	*2.5*
Germany	0.8	1.5	0.7	-1.9	-0.3	0.2	**1.5**	**1.2**	**1.0**	*0.2*	*0.7*	*1.0*
Estonia	-1.3	3.3	2.4	-5.4	-0.5	1.6	**2.6**	**2.0**	**2.3**	*0.9*	*1.4*	*1.7*
Ireland	-2.2	8.2	7.2	-5.1	1.9	6.3	**-1.6**	**2.7**	**2.5**	*10.6*	*-2.4*	*2.3*
Greece	-5.6	0.6	2.2	2.5	2.3	2.0	**1.7**	**1.5**	**1.5**	*2.0*	*1.8*	*1.7*
Spain	-1.9	2.1	0.5	1.2	2.6	1.6	**1.7**	**1.3**	**1.1**	*1.9*	*1.5*	*1.1*
France	-0.1	0.7	0.6	1.2	1.2	0.5	**0.1**	**0.4**	**1.2**	*0.6*	*0.6*	*0.9*
Croatia	-1.5	2.7	4.4	3.8	3.6	3.2	**1.8**	**2.3**	**2.5**	*3.1*	*2.6*	*2.6*
Italy	-1.9	0.6	1.6	1.1	1.1	0.6	**1.0**	**0.7**	**0.9**	*0.6*	*0.6*	*0.7*
Cyprus	-2.2	1.1	4.2	4.0	4.8	3.2	**2.2**	**2.0**	**2.2**	*2.2*	*0.9*	*1.8*
Latvia	-1.3	3.7	2.6	-1.2	1.5	3.1	**3.7**	**2.6**	**3.0**	*3.6*	*2.7*	*2.4*
Lithuania	1.0	4.6	3.4	1.5	2.4	3.0	**2.8**	**2.3**	**2.4**	*2.9*	*3.2*	*2.3*
Luxembourg	-1.4	0.5	0.0	-1.8	0.5	0.1	**0.0**	**0.5**	**0.6**	*-0.6*	*0.3*	*0.6*
Malta	2.2	5.8	2.2	2.9	2.4	2.4	**1.7**	**1.4**	**1.7**	*1.5*	*1.3*	*1.3*
Netherlands	-0.4	1.3	1.7	-1.6	0.4	1.0	**1.4**	**1.2**	**1.2**	*1.3*	*0.5*	*0.7*
Austria	0.3	0.4	1.0	-1.5	-0.8	0.4	**0.7**	**1.0**	**0.9**	*0.3*	*0.3*	*0.7*
Portugal	-1.4	1.7	1.6	2.0	1.6	0.9	**1.5**	**1.3**	**1.5**	*0.8*	*1.1*	*1.2*
Slovakia	2.0	2.6	1.9	2.5	2.6	1.1	**1.0**	**1.9**	**1.9**	*0.9*	*0.9*	*1.7*
Slovenia	-1.5	2.4	2.5	2.1	1.7	1.3	**3.7**	**2.8**	**2.4**	*0.8*	*1.8*	*2.2*
Finland	-1.2	0.6	0.5	-1.6	0.2	0.3	**1.5**	**1.4**	**1.3**	*-0.2*	*0.6*	*1.2*
Euro area (21)	-0.5	1.4	1.3	-0.2	0.8	0.9	**1.0**	**1.1**	**1.2**	*1.1*	*0.7*	*1.0*
Czechia	-0.1	2.9	1.1	-1.0	1.2	2.6	**1.8**	**2.7**	**2.3**	*2.6*	*1.6*	*2.3*
Denmark	-1.0	1.6	1.2	0.4	3.4	2.9	**4.2**	**1.7**	**1.8**	*2.4*	*1.6*	*1.4*
Hungary	-0.6	3.7	3.7	-0.5	1.0	1.2	**2.4**	**3.4**	**3.5**	*1.0*	*2.0*	*2.3*
Poland	3.4	3.5	4.2	0.6	3.5	4.3	**3.9**	**3.0**	**3.0**	*4.0*	*3.7*	*3.0*
Romania	1.9	4.2	3.9	2.4	1.1	0.8	**-0.2**	**1.9**	**2.3**	*0.8*	*0.1*	*2.3*
Sweden	-0.2	1.2	0.8	-0.9	1.7	1.0	**2.6**	**2.2**	**1.5**	*1.1*	*1.6*	*2.1*
EU	-0.3	1.6	1.5	-0.1	1.1	1.2	**1.3**	**1.3**	**1.4**	*1.3*	*0.9*	*1.3*
United Kingdom	-0.7	1.9	0.6	-0.9	0.1	0.9	**0.6**	**0.5**	**0.7**	*1.1*	*0.0*	*0.5*
Japan	-0.3	1.5	0.5	1.5	0.3	1.7	**1.4**	**1.2**	**1.1**	*1.7*	*1.1*	*1.1*
United States	-0.1	1.4	1.9	2.1	2.0	1.8	**2.1**	**1.8**	**1.7**	*1.6*	*1.9*	*1.8*

Table 5: Domestic demand, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.1	1.5	1.3	1.2	1.2	1.3	**0.8**	**0.7**	**1.1**	*1.3*	*0.7*	*0.9*
Bulgaria	-0.8	1.1	4.1	-2.4	4.8	8.0	**5.7**	**1.5**	**2.5**	*7.7*	*2.4*	*1.8*
Germany	0.6	2.1	1.4	-1.1	0.5	1.8	**0.8**	**0.9**	**0.9**	*1.9*	*1.2*	*1.2*
Estonia	-2.9	3.3	3.6	-4.1	1.5	2.6	**2.8**	**2.2**	**2.6**	*1.8*	*3.1*	*2.1*
Ireland	-2.9	8.6	2.4	6.9	-8.7	12.3	**-0.8**	**2.5**	**3.0**	*14.8*	*2.4*	*2.4*
Greece	-7.1	-0.1	2.8	1.2	4.2	1.0	**2.1**	**1.4**	**1.5**	*0.7*	*2.4*	*1.3*
Spain	-3.1	1.7	1.2	1.5	3.5	3.6	**3.0**	**2.4**	**2.0**	*3.7*	*2.9*	*2.1*
France	0.4	1.5	1.2	0.6	0.2	1.0	**0.3**	**0.2**	**1.2**	*1.4*	*0.6*	*1.0*
Croatia	-2.8	1.5	4.0	2.0	7.3	4.6	**2.2**	**2.4**	**2.3**	*4.3*	*3.1*	*2.6*
Italy	-2.0	0.5	1.3	0.4	1.1	1.4	**1.0**	**0.5**	**0.6**	*1.3*	*0.8*	*0.6*
Cyprus	-0.6	1.5	4.5	9.2	-1.4	6.8	**4.4**	**2.4**	**2.6**	*1.4*	*2.3*	*2.6*
Latvia	-5.5	2.3	3.3	0.0	-0.7	5.3	**1.7**	**1.8**	**2.4**	*5.8*	*1.8*	*1.8*
Lithuania	-3.3	3.9	2.1	1.8	2.8	5.2	**3.6**	**2.4**	**2.9**	*5.7*	*4.1*	*2.3*
Luxembourg	2.6	2.7	2.4	0.9	2.7	2.5	**1.6**	**2.6**	**2.7**	*1.9*	*1.3*	*2.6*
Malta	1.7	5.4	6.9	0.6	5.2	4.5	**4.5**	**4.1**	**4.1**	*3.6*	*3.3*	*3.7*
Netherlands	-0.7	1.7	2.5	-1.3	2.1	1.2	**1.5**	**1.4**	**1.6**	*1.7*	*0.9*	*1.2*
Austria	0.6	1.2	1.7	-3.0	-0.6	1.7	**0.5**	**0.9**	**1.0**	*1.3*	*0.5*	*0.8*
Portugal	-2.7	1.5	2.3	2.2	3.0	4.0	**3.4**	**1.9**	**2.3**	*3.7*	*2.3*	*1.9*
Slovakia	0.1	3.1	2.2	-4.7	5.2	0.5	**0.8**	**0.5**	**1.1**	*0.6*	*0.5*	*0.6*
Slovenia	-2.7	1.7	3.7	0.5	2.6	3.7	**4.4**	**3.5**	**3.0**	*2.6*	*2.8*	*2.5*
Finland	0.1	0.9	1.2	-3.9	0.3	-0.2	**2.0**	**1.8**	**1.9**	*-0.3*	*1.7*	*1.2*
Euro area (21)	-0.8	1.6	1.5	0.0	1.0	2.0	**1.2**	**1.0**	**1.3**	*2.2*	*1.3*	*1.2*
Czechia	-0.7	2.7	2.6	-2.5	0.5	3.4	**2.2**	**2.6**	**2.2**	*3.2*	*2.3*	*2.5*
Denmark	-0.8	2.3	2.1	-2.9	3.3	0.3	**2.0**	**2.4**	**2.3**	*0.6*	*2.1*	*2.1*
Hungary	-2.5	3.4	4.6	-5.2	-0.2	1.6	**4.4**	**2.6**	**2.8**	*2.3*	*2.3*	*2.0*
Poland	2.5	3.3	4.1	-3.0	4.8	4.6	**3.8**	**2.8**	**2.7**	*4.2*	*3.9*	*2.9*
Romania	-0.3	3.6	4.6	2.2	3.9	1.0	**0.0**	**1.7**	**2.1**	*1.1*	*-0.4*	*2.2*
Sweden	0.9	3.0	1.6	-1.9	1.1	1.8	**2.5**	**2.2**	**1.5**	*1.7*	*2.3*	*2.1*
EU	-0.6	1.8	1.7	-0.3	1.2	2.1	**1.4**	**1.3**	**1.4**	*2.2*	*1.5*	*1.4*
United Kingdom	-0.1	2.9	1.1	0.0	1.9	1.9	**1.3**	**0.8**	**1.4**	*2.0*	*0.9*	*1.1*
Japan	-0.1	1.2	0.3	0.2	0.0	1.5	**0.6**	**0.8**	**0.7**	*1.5*	*0.9*	*0.9*
United States	0.4	2.3	2.7	2.4	3.3	2.5	**2.6**	**2.5**	**1.9**	*2.3*	*2.0*	*2.1*

Table 6: Final demand, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.9	2.7	2.1	-3.3	-0.2	0.7	**1.8**	**1.6**	**1.7**	*0.6*	*0.7*	*1.3*
Bulgaria	0.4	3.2	3.9	-1.0	3.6	4.4	**3.5**	**1.9**	**2.6**	*4.1*	*2.5*	*2.3*
Germany	0.9	2.4	1.5	-1.0	-0.2	0.9	**1.7**	**1.3**	**0.9**	*1.2*	*0.9*	*1.1*
Estonia	0.5	3.0	4.8	-7.2	0.2	3.6	**2.8**	**2.2**	**2.3**	*3.2*	*2.5*	*1.9*
Ireland	-0.5	12.7	8.0	-0.7	4.1	8.9	**2.6**	**4.0**	**3.7**	*11.2*	*0.7*	*3.3*
Greece	-6.1	1.0	3.0	1.6	3.2	0.8	**2.4**	**1.8**	**1.8**	*1.0*	*2.2*	*1.8*
Spain	-2.2	2.5	1.3	1.7	3.6	3.3	**2.9**	**2.5**	**2.1**	*3.7*	*2.4*	*2.2*
France	0.6	1.9	1.2	1.1	1.0	1.3	**0.5**	**0.7**	**1.6**	*1.4*	*0.6*	*1.3*
Croatia	-2.5	3.0	5.2	0.7	5.4	3.7	**2.2**	**2.4**	**2.4**	*3.2*	*2.8*	*2.6*
Italy	-1.8	1.0	1.6	0.2	0.6	1.4	**1.6**	**1.1**	**1.1**	*1.3*	*0.8*	*0.9*
Cyprus	0.1	3.5	8.9	3.5	7.2	4.4	**3.7**	**2.6**	**2.6**	*3.2*	*1.8*	*2.9*
Latvia	-2.6	3.0	3.6	-3.1	-0.4	4.0	**2.6**	**2.4**	**2.7**	*3.6*	*1.8*	*1.8*
Lithuania	0.5	4.4	5.0	-0.6	2.7	5.1	**4.6**	**2.6**	**2.9**	*5.5*	*3.4*	*2.5*
Luxembourg	1.9	4.1	4.2	0.6	1.1	-2.4	**0.8**	**2.5**	**2.5**	*1.4*	*1.8*	*2.5*
Malta	3.4	8.5	8.1	6.5	6.7	1.9	**3.8**	**3.4**	**3.4**	*4.2*	*3.3*	*3.3*
Netherlands	0.6	3.3	2.7	-2.1	1.5	1.9	**1.9**	**1.8**	**2.0**	*2.0*	*1.1*	*1.3*
Austria	0.8	1.8	2.2	-2.1	-1.1	1.6	**1.0**	**1.5**	**1.4**	*0.9*	*0.9*	*1.3*
Portugal	-1.7	2.8	2.5	2.9	3.1	2.7	**3.4**	**2.1**	**2.4**	*2.6*	*1.8*	*2.0*
Slovakia	1.9	3.9	2.3	-2.9	2.8	2.0	**1.8**	**2.3**	**2.0**	*2.1*	*0.8*	*2.0*
Slovenia	-1.3	3.8	4.0	-0.7	2.5	2.1	**5.0**	**3.4**	**2.8**	*1.5*	*2.3*	*2.3*
Finland	-0.4	1.4	1.4	-3.0	0.5	1.4	**2.6**	**2.3**	**2.4**	*0.8*	*1.8*	*1.6*
Euro area (21)	-0.2	2.5	2.1	-0.4	1.1	1.9	**1.8**	**1.6**	**1.6**	*2.1*	*1.1*	*1.5*
Czechia	1.3	3.8	2.2	-0.5	1.2	3.3	**2.4**	**2.5**	**2.0**	*3.5*	*2.3*	*2.5*
Denmark	-0.2	2.7	2.5	1.4	5.1	1.7	**4.0**	**2.8**	**2.6**	*1.7*	*2.3*	*2.3*
Hungary	-0.4	4.7	4.5	-2.0	-0.2	1.2	**3.3**	**3.9**	**3.4**	*0.8*	*1.8*	*2.6*
Poland	3.2	4.5	4.8	-0.4	3.7	4.9	**4.4**	**3.0**	**2.7**	*4.7*	*3.5*	*2.9*
Romania	1.2	5.8	4.5	1.1	1.9	1.8	**0.5**	**2.0**	**2.3**	*1.9*	*0.1*	*2.3*
Sweden	0.8	3.0	2.5	-0.3	1.8	2.5	**3.1**	**2.2**	**1.6**	*2.5*	*1.7*	*2.1*
EU	0.0	2.7	2.3	-0.3	1.3	2.1	**2.0**	**1.8**	**1.8**	*2.2*	*1.3*	*1.7*
United Kingdom	0.3	2.9	1.2	-0.3	1.3	1.7	**1.7**	**1.1**	**1.4**	*2.0*	*0.9*	*1.1*
Japan	-0.2	1.6	0.5	0.6	0.4	1.7	**0.9**	**1.1**	**0.9**	*1.7*	*0.8*	*0.9*
United States	0.8	2.3	2.5	2.5	3.3	2.5	**2.7**	**2.6**	**2.1**	*2.2*	*2.0*	*2.1*

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.7	1.5	0.9	0.5	1.9	1.4	**1.1**	**0.8**	**1.2**	*1.7*	*0.6*	*1.1*
Bulgaria	1.4	1.0	3.5	0.7	4.9	7.4	**7.2**	**2.4**	**2.6**	*7.8*	*2.4*	*2.2*
Germany	0.7	1.6	1.1	-0.2	1.4	1.3	**0.3**	**0.4**	**0.6**	*1.6*	*0.6*	*0.7*
Estonia	-2.4	4.0	3.9	-0.9	0.3	-0.3	**2.1**	**2.1**	**2.5**	*-0.1*	*1.8*	*2.5*
Ireland	-1.5	2.6	3.2	3.5	2.4	2.5	**2.8**	**2.2**	**2.5**	*2.9*	*2.2*	*2.3*
Greece	-4.6	0.0	2.5	2.4	2.2	1.7	**1.5**	**1.3**	**1.4**	*2.0*	*1.6*	*1.7*
Spain	-1.9	1.5	0.3	1.9	3.1	3.1	**3.1**	**2.1**	**1.9**	*3.4*	*2.9*	*2.0*
France	0.6	1.3	0.9	0.8	0.8	0.4	**0.4**	**0.6**	**1.2**	*0.4*	*0.2*	*0.7*
Croatia	-1.8	0.5	3.8	3.3	6.2	3.0	**2.1**	**2.3**	**2.4**	*2.5*	*3.0*	*2.8*
Italy	-1.0	0.4	0.0	0.8	1.4	1.2	**1.0**	**0.3**	**0.9**	*1.1*	*0.5*	*0.6*
Cyprus	0.4	1.1	3.5	8.2	4.3	4.6	**4.0**	**2.8**	**3.0**	*3.3*	*2.0*	*2.6*
Latvia	-4.0	3.2	2.7	-1.2	0.6	1.2	**2.5**	**2.0**	**1.9**	*0.8*	*1.6*	*1.9*
Lithuania	-2.6	3.8	3.1	-4.4	4.0	4.1	**4.3**	**2.1**	**3.1**	*2.1*	*4.6*	*2.2*
Luxembourg	2.4	2.6	2.9	3.8	-0.7	2.1	**0.5**	**2.4**	**2.7**	*2.3*	*1.6*	*2.1*
Malta	1.4	3.9	4.9	9.4	5.5	5.3	**4.0**	**4.8**	**4.0**	*3.3*	*3.3*	*3.5*
Netherlands	-0.3	1.2	1.6	0.7	0.8	1.2	**1.5**	**1.0**	**1.2**	*1.5*	*0.7*	*1.0*
Austria	1.0	0.9	0.9	-0.1	1.3	0.5	**0.5**	**0.6**	**0.6**	*0.5*	*0.5*	*0.6*
Portugal	-1.6	1.4	1.8	2.4	3.0	3.7	**3.1**	**2.5**	**2.5**	*3.5*	*1.9*	*2.3*
Slovakia	1.4	2.7	3.0	-2.8	3.8	0.7	**0.6**	**1.3**	**1.0**	*0.2*	*-0.1*	*1.2*
Slovenia	0.8	1.2	3.3	0.6	3.2	2.5	**2.9**	**4.2**	**2.7**	*1.7*	*2.1*	*2.8*
Finland	0.9	0.7	0.4	-0.3	0.3	-1.1	**1.0**	**1.2**	**1.4**	*-0.2*	*0.6*	*1.2*
Euro area (21)	-0.2	1.2	0.9	0.7	1.6	1.4	**1.1**	**0.9**	**1.1**	*1.5*	*0.9*	*1.0*
Czechia	0.8	2.8	0.9	-2.6	2.4	2.7	**2.3**	**2.5**	**2.1**	*3.0*	*2.9*	*2.7*
Denmark	-0.3	1.8	1.5	-2.1	1.2	2.1	**2.3**	**1.9**	**2.2**	*2.3*	*1.9*	*2.1*
Hungary	-2.1	3.5	4.4	-2.2	6.8	2.8	**4.5**	**3.1**	**2.7**	*3.1*	*2.9*	*1.9*
Poland	3.5	3.3	3.2	-0.3	2.9	3.9	**2.9**	**2.6**	**2.6**	*3.7*	*3.3*	*2.8*
Romania	0.6	4.4	4.8	4.7	4.7	0.5	**-2.3**	**1.7**	**2.1**	*0.5*	*-1.9*	*2.8*
Sweden	1.6	2.7	1.6	-1.6	1.4	2.0	**2.7**	**2.8**	**1.9**	*1.6*	*2.1*	*2.4*
EU	0.0	1.5	1.2	0.5	1.8	1.6	**1.3**	**1.1**	**1.3**	*1.7*	*1.1*	*1.3*
United Kingdom	0.1	2.8	0.8	-0.7	0.3	1.0	**1.0**	**0.3**	**1.4**	*1.0*	*0.6*	*1.2*
Japan	0.4	0.5	-0.3	0.1	-0.6	1.3	**0.8**	**0.7**	**0.7**	*1.5*	*0.8*	*0.7*
United States	0.8	2.5	2.8	2.3	2.9	2.6	**2.4**	**2.2**	**2.0**	*2.6*	*2.1*	*2.1*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.3	0.4	1.9	2.0	1.3	2.2	**0.4**	**0.6**	**0.6**	*1.6*	*0.6*	*0.1*
Bulgaria	-0.3	1.8	4.8	1.1	3.6	6.8	**2.5**	**1.3**	**1.8**	*7.0*	*2.9*	*2.3*
Germany	2.1	2.4	2.5	-1.2	3.9	1.7	**2.9**	**0.8**	**0.9**	*1.3*	*2.3*	*1.5*
Estonia	1.2	2.3	2.4	1.3	1.5	2.4	**1.4**	**0.4**	**2.9**	*2.6*	*2.7*	*0.6*
Ireland	-1.4	2.4	6.4	6.0	4.7	3.3	**3.5**	**3.4**	**3.4**	*3.9*	*4.8*	*3.9*
Greece	-3.3	-1.2	0.6	3.6	-2.1	2.1	**2.2**	**0.5**	**0.5**	*0.3*	*1.2*	*0.2*
Spain	1.2	0.2	2.4	4.3	3.3	2.4	**2.4**	**2.1**	**1.9**	*2.4*	*1.7*	*1.8*
France	1.6	1.4	1.3	1.2	1.5	0.6	**1.1**	**0.5**	**1.6**	*1.6*	*1.5*	*1.5*
Croatia	0.6	1.0	2.7	6.9	7.0	4.2	**2.6**	**2.0**	**2.0**	*4.1*	*3.2*	*2.3*
Italy	-0.7	-0.1	0.4	1.1	1.3	0.3	**0.3**	**0.5**	**0.4**	*0.6*	*0.3*	*0.2*
Cyprus	2.4	-1.8	8.0	3.6	0.7	1.1	**2.1**	**1.6**	**1.9**	*2.0*	*2.5*	*2.0*
Latvia	-3.0	2.8	3.1	2.5	1.2	1.7	**2.6**	**1.4**	**2.1**	*7.0*	*0.4*	*0.3*
Lithuania	-0.6	0.2	0.2	-0.1	2.3	1.1	**0.1**	**0.4**	**0.0**	*1.0*	*0.1*	*0.1*
Luxembourg	3.6	2.4	4.9	1.6	4.5	4.1	**4.2**	**3.3**	**2.4**	*3.7*	*3.3*	*3.1*
Malta	3.6	6.3	6.9	3.3	5.2	4.4	**7.5**	**2.7**	**5.4**	*5.9*	*4.6*	*3.9*
Netherlands	1.5	0.6	2.4	2.8	3.5	2.1	**2.4**	**2.1**	**1.8**	*1.9*	*1.7*	*1.5*
Austria	1.1	0.9	1.8	0.2	3.8	2.0	**0.8**	**0.7**	**0.7**	*2.4*	*0.3*	*0.2*
Portugal	-1.1	-0.2	1.7	1.8	2.1	2.1	**2.0**	**0.7**	**1.4**	*1.6*	*2.1*	*1.1*
Slovakia	2.0	2.6	0.8	-2.5	4.0	1.0	**0.2**	**0.3**	**0.6**	*1.1*	*0.6*	*0.1*
Slovenia	0.8	0.7	2.8	2.3	7.3	3.2	**4.3**	**2.9**	**2.1**	*1.6*	*4.4*	*1.8*
Finland	0.7	0.6	1.7	4.2	1.8	0.3	**-0.3**	**0.0**	**0.2**	*-0.2*	*-0.2*	*0.4*
Euro area (21)	1.0	1.2	1.9	1.1	2.7	1.5	**1.8**	**1.0**	**1.2**	*1.6*	*1.6*	*1.3*
Czechia	-0.3	1.9	2.4	3.2	3.1	2.2	**1.3**	**3.7**	**2.7**	*2.1*	*1.4*	*2.1*
Denmark	1.6	1.0	0.4	0.1	1.2	2.1	**2.8**	**2.3**	**1.9**	*1.5*	*2.5*	*1.4*
Hungary	0.5	2.7	2.5	3.9	-2.1	3.6	**2.0**	**0.1**	**0.2**	*2.4*	*1.7*	*0.4*
Poland	1.6	2.7	4.1	4.5	8.7	5.7	**4.0**	**2.4**	**2.0**	*5.3*	*2.8*	*1.7*
Romania	1.1	1.3	2.6	4.0	4.1	-2.4	**-2.0**	**1.0**	**0.0**	*-2.6*	*-1.6*	*0.2*
Sweden	1.3	1.8	0.6	1.0	1.0	1.2	**1.7**	**1.0**	**0.3**	*0.7*	*2.2*	*1.2*
EU	1.1	1.2	1.9	1.3	2.8	1.7	**1.9**	**1.1**	**1.2**	*1.7*	*1.7*	*1.3*
United Kingdom	0.9	1.1	2.0	1.7	3.6	2.3	**1.5**	**1.1**	**0.9**	*1.7*	*1.8*	*1.1*
Japan	1.6	1.2	2.2	-0.2	1.6	0.9	**2.3**	**1.0**	**1.1**	*1.0*	*1.2*	*1.1*
United States	0.4	0.1	1.5	4.1	4.2	1.3	**0.9**	**1.3**	**1.2**	*0.6*	*0.8*	*1.3*

Table 9: Total investment, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.1	2.4	1.8	2.9	1.8	0.0	**0.4**	**0.8**	**1.6**	*0.1*	*1.1*	*1.6*
Bulgaria	-4.2	0.6	1.6	10.1	1.5	15.6	**2.9**	**-0.9**	**3.1**	*11.4*	*2.1*	*0.4*
Germany	0.8	2.1	0.7	-1.9	-2.1	-0.6	**0.0**	**2.3**	**2.0**	*-0.2*	*1.8*	*2.4*
Estonia	-4.1	2.7	5.7	-6.0	-6.5	2.4	**2.9**	**4.3**	**2.6**	*3.2*	*7.4*	*2.6*
Ireland	-6.2	20.8	-0.8	11.4	-25.6	38.4	**-7.5**	**2.5**	**3.4**	*42.6*	*1.5*	*1.8*
Greece	-17.6	-0.4	7.7	9.5	7.6	8.0	**7.3**	**2.5**	**2.6**	*8.9*	*7.3*	*1.3*
Spain	-8.3	2.9	1.7	5.3	4.9	5.4	**4.3**	**3.4**	**2.6**	*5.8*	*4.4*	*2.8*
France	-1.0	1.2	2.1	1.3	-0.9	0.5	**-1.0**	**-1.0**	**1.0**	*0.5*	*0.5*	*1.2*
Croatia	-6.3	2.4	5.1	19.2	-2.9	10.1	**1.8**	**3.1**	**2.8**	*6.1*	*3.0*	*2.5*
Italy	-5.1	0.1	5.1	10.3	-2.7	3.9	**3.5**	**0.6**	**0.3**	*3.5*	*1.7*	*0.7*
Cyprus	-8.1	6.8	4.2	14.3	-14.3	18.7	**7.9**	**2.0**	**2.4**	*0.0*	*2.9*	*3.2*
Latvia	-8.0	-1.8	3.4	5.0	-3.4	9.9	**5.2**	**2.0**	**4.0**	*9.8*	*3.0*	*3.0*
Lithuania	-6.6	6.0	6.5	10.4	-2.1	6.6	**5.5**	**4.9**	**4.9**	*8.0*	*5.8*	*4.5*
Luxembourg	2.8	1.7	-0.1	-5.1	6.9	-0.7	**0.8**	**2.3**	**3.1**	*-0.5*	*-1.7*	*2.9*
Malta	2.2	7.4	10.3	-14.3	5.9	0.4	**3.0**	**3.9**	**3.0**	*-0.1*	*2.0*	*4.0*
Netherlands	-4.0	3.6	2.7	1.5	1.0	0.6	**0.8**	**1.2**	**2.0**	*1.1*	*0.5*	*1.4*
Austria	-0.1	2.3	1.8	-1.7	-2.4	1.4	**0.9**	**2.0**	**2.1**	*1.4*	*0.7*	*1.8*
Portugal	-7.7	3.4	4.0	6.0	4.7	4.3	**5.6**	**1.2**	**2.3**	*3.6*	*3.9*	*1.6*
Slovakia	-1.7	2.7	1.5	5.2	0.8	-2.1	**1.4**	**-2.9**	**1.9**	*2.2*	*1.4*	*-0.5*
Slovenia	-9.0	2.0	4.9	6.2	-1.5	5.3	**8.2**	**2.6**	**5.0**	*4.1*	*3.0*	*2.5*
Finland	-1.2	1.5	1.1	-7.1	-5.2	1.4	**7.1**	**5.0**	**5.0**	*0.8*	*5.5*	*2.0*
Euro area (21)	-3.0	2.3	2.1	2.6	-1.7	2.8	**1.0**	**1.4**	**1.8**	*3.0*	*1.8*	*1.7*
Czechia	-2.1	2.1	4.8	4.2	-2.3	3.1	**4.1**	**1.9**	**1.9**	*2.4*	*3.1*	*2.6*
Denmark	-3.6	4.6	4.3	-2.7	9.8	-3.8	**-0.1**	**3.7**	**3.0**	*-3.5*	*2.2*	*3.0*
Hungary	-4.4	6.9	5.0	-4.7	-9.8	-4.1	**-3.8**	**4.1**	**6.1**	*-2.8*	*1.3*	*3.9*
Poland	1.8	2.4	4.1	12.7	0.4	4.9	**6.5**	**3.9**	**3.8**	*4.4*	*6.9*	*4.8*
Romania	-3.2	1.9	4.5	7.7	-7.3	3.6	**7.2**	**2.1**	**3.6**	*3.4*	*4.1*	*2.3*
Sweden	-0.5	4.3	2.0	0.1	-0.6	2.2	**4.7**	**2.2**	**2.0**	*2.0*	*4.1*	*2.1*
EU	-2.7	2.5	2.3	2.7	-1.6	2.6	**1.5**	**1.6**	**2.0**	*2.8*	*2.2*	*2.0*
United Kingdom	-1.9	5.9	1.4	-0.6	0.6	3.4	**3.0**	**2.4**	**2.5**	*4.3*	*1.1*	*1.6*
Japan	-2.3	2.5	0.1	2.5	0.2	1.3	**0.0**	**0.9**	**0.7**	*0.9*	*1.6*	*1.0*
United States	-0.9	3.7	2.9	4.0	4.0	3.5	**4.5**	**3.6**	**2.3**	*2.7*	*2.8*	*2.6*

Table 10: Investment in construction, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.5	0.8	0.4	2.9	-1.1	-1.9	**0.3**	**0.9**	**1.4**	*-1.7*	*0.8*	*1.4*
Bulgaria	0.1	-2.8	-1.7	2.3	1.6	17.3	**3.5**	**0.8**	**1.7**	*6.7*	*2.5*	*0.7*
Germany	1.4	0.8	0.0	-5.9	-2.4	-1.0	**-1.4**	**1.1**	**0.8**	*-0.6*	*1.3*	*1.5*
Estonia	-5.4	3.4	5.1	-4.2	-3.8	-7.7	**1.0**	**4.9**	**2.8**	*-0.1*	*4.9*	*3.0*
Ireland	-18.3	9.9	2.5	7.0	-1.3	7.9	**1.9**	**5.3**	**7.5**	*9.2*	*6.9*	*5.0*
Greece	-18.5	-6.3	4.1	18.0	15.3	11.5	**8.4**	**5.6**	**4.9**	*13.8*	*9.9*	*3.2*
Spain	-11.1	1.0	2.7	4.1	5.3	5.0	**3.4**	**3.6**	**2.6**	*5.2*	*4.5*	*2.7*
France	-1.9	0.2	1.6	-1.9	-2.1	-0.8	**-1.9**	**-1.5**	**0.6**	*0.5*	*-0.5*	*0.4*
Croatia	-6.4	-1.0	4.3	16.7	-2.4	12.4	**2.5**	**3.7**	**2.4**	*8.0*	*3.7*	*2.4*
Italy	-6.2	-3.2	7.3	18.1	-6.4	3.7	**4.2**	**-0.1**	**-1.0**	*3.3*	*1.9*	*0.8*
Cyprus	-10.2	-1.7	12.2	3.3	0.6	6.1	**2.8**	**2.5**	**3.0**	*4.5*	*2.4*	*3.6*
Latvia	-7.4	-3.4	0.8	1.0	2.4	8.9	**5.0**	**3.2**	**3.2**	*9.0*	*5.0*	*3.4*
Lithuania	-8.1	3.8	6.1	13.2	-0.2	0.8	**3.3**	**3.0**	**2.9**	*3.4*	*3.1*	*2.9*
Luxembourg	0.1	2.8	1.1	-9.2	7.1	-2.9	**2.3**	**3.4**	**3.4**	*-2.9*	*2.3*	*3.4*
Malta	2.3	3.0	2.5	5.2	5.8	1.5	**2.5**	**3.5**	**2.8**	*0.2*	*1.5*	*2.7*
Netherlands	-5.6	4.7	3.4	-0.1	-0.5	1.7	**-1.0**	**0.7**	**1.7**	*1.5*	*0.9*	*1.5*
Austria	-1.5	0.3	1.6	-6.6	-6.6	-2.9	**-1.2**	**0.0**	**1.6**	*-2.9*	*-0.1*	*1.5*
Portugal	-9.1	0.4	4.0	4.5	3.0	5.4	**3.1**	**1.9**	**2.3**	*5.5*	*5.0*	*2.4*
Slovakia	-5.1	1.1	3.0	8.1	-16.1	-1.8	**1.2**	**-1.1**	**1.6**	*-1.7*	*0.8*	*0.0*
Slovenia	-11.8	-1.7	5.7	12.9	-3.1	6.2	**12.4**	**1.6**	**3.8**	*7.5*	*6.0*	*3.8*
Finland	-0.9	1.7	-0.2	-12.1	-12.0	2.1	**2.2**	**2.1**	**3.2**	*-0.1*	*1.9*	*2.6*
Euro area (21)	-4.2	0.4	2.1	1.0	-2.1	1.2	**0.5**	**0.9**	**1.2**	*1.5*	*1.7*	*1.5*
Czechia	-3.1	0.2	3.6	3.8	-1.4	4.5	**6.3**	**3.9**	**3.7**	*5.3*	*4.7*	*4.1*
Denmark	-5.6	4.1	4.7	-9.2	1.7	0.2	**-2.8**	**1.6**	**1.1**	*-0.1*	*2.6*	*2.5*
Hungary	-6.8	5.7	6.1	-10.8	-12.3	-6.5	**-4.4**	**5.9**	**7.1**	*-7.1*	*1.4*	*4.5*
Poland	3.6	-0.5	5.5	8.0	-3.7	-1.6	**7.6**	**3.7**	**3.6**	*-2.6*	*3.3*	*3.8*
Romania	-3.0	7.1	-2.4	17.3	-1.9	3.6	**11.1**	**3.8**	**4.5**	*7.6*	*7.4*	*2.3*
Sweden	-2.6	6.2	0.5	-4.5	-6.4	0.3	**1.8**	**1.6**	**1.1**	*-1.3*	*3.5*	*1.7*
EU	-3.9	0.8	2.2	1.0	-2.3	1.1	**1.2**	**1.2**	**1.5**	*1.3*	*2.0*	*1.7*
United Kingdom	-4.0	6.0	1.0	-3.2	0.3	3.6	**3.8**	**2.7**	**2.6**	*6.2*	*-0.2*	*2.0*
Japan	-3.2	1.8	-1.1	1.3	-2.4	-0.7	**0.2**	**0.8**	**0.8**	*-1.4*	*0.7*	*0.8*
United States	-5.5	3.8	0.2	2.9	4.8	-1.4	**-3.2**	**0.8**	**0.8**	*-2.3*	*-3.2*	*0.4*

Table 11: Investment in equipment, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-3.5	3.7	1.5	4.5	4.0	0.2	0.6	1.0	1.8	2.0	0.8	1.8
Bulgaria	-9.6	2.5	5.0	16.3	4.3	15.5	1.4	-3.2	4.3	15.2	1.1	-0.8
Germany	-0.8	3.0	0.6	-0.7	-4.7	-1.3	0.7	3.6	2.8	-1.9	1.6	3.1
Estonia	-4.2	0.3	3.7	-8.6	-13.5	25.0	5.3	10.8	3.0	2.1	15.8	2.9
Ireland	1.5	9.2	2.5	5.3	-10.6	6.3	5.5	1.5	2.0	6.8	0.9	0.8
Greece	-19.0	6.9	9.8	4.2	2.1	6.6	6.9	-0.9	0.9	6.6	6.7	-0.3
Spain	-7.1	5.7	-0.7	3.0	3.0	6.1	4.2	3.1	2.7	7.4	3.3	2.7
France	-1.2	2.3	0.8	6.4	-2.1	0.5	-1.4	-3.0	0.3	-1.8	1.9	2.0
Croatia	-6.3	5.2	5.2	17.9	1.9	6.6	1.0	2.4	3.1	3.9	2.2	3.2
Italy	-5.5	2.9	2.9	3.3	1.2	4.3	2.1	1.3	1.8	3.5	1.1	0.5
Cyprus	:	:	-16.5	108.7	-50.7	79.8	32.6	0.9	1.4	-19.4	-2.0	3.0
Latvia	-10.7	-0.4	6.4	10.1	-10.9	13.5	4.4	2.1	5.7	13.2	1.2	2.4
Lithuania	-7.0	9.5	8.0	9.3	-8.3	17.9	9.1	9.0	9.0	16.5	11.9	7.8
Luxembourg	6.7	0.1	-4.5	1.0	7.9	3.4	-2.7	-0.8	1.7	3.5	-12.3	0.4
Malta	-0.2	12.0	17.1	-42.0	0.4	-5.0	:	:	:	-7.4	:	:
Netherlands	-0.2	2.9	2.0	5.7	3.3	-2.0	3.5	2.1	3.0	0.0	-0.3	0.7
Austria	-0.4	4.1	0.1	4.0	-1.5	7.9	3.1	3.3	1.7	9.2	0.6	1.2
Portugal	-9.6	11.3	3.6	11.4	8.6	2.0	12.3	0.8	3.3	-0.2	2.1	0.4
Slovakia	2.5	2.8	-0.4	2.0	25.5	-1.7	1.6	-5.2	2.3	2.8	1.9	-1.3
Slovenia	-8.6	6.4	4.2	-1.0	0.4	5.2	8.9	4.1	6.5	0.7	0.4	1.0
Finland	-0.6	3.7	1.2	-3.8	-1.2	3.9	20.8	11.8	9.7	0.3	14.5	0.2
Euro area (21)	-3.1	3.5	1.3	3.1	-0.9	2.1	2.1	1.6	2.2	1.6	1.8	1.7
Czechia	-1.8	3.1	4.6	7.2	-6.8	0.2	2.3	-0.6	-0.3	-0.8	1.5	1.2
Denmark	-5.5	6.5	-1.5	7.8	13.8	-0.8	-3.6	4.5	2.3	-3.5	5.5	3.3
Hungary	-2.6	8.6	4.4	0.3	-9.9	-3.9	0.9	3.1	5.4	1.7	2.5	4.0
Poland	-0.9	5.8	1.5	20.9	7.2	12.4	5.1	5.4	4.0	13.2	9.9	6.1
Romania	-3.0	-5.4	13.3	-5.4	-15.1	3.6	:	:	:	:	:	:
Sweden	1.1	2.9	0.2	3.1	6.0	6.8	13.3	2.7	1.6	8.1	6.3	2.2
EU	-2.8	3.5	1.6	3.7	-0.8	2.6	2.5	1.8	2.3	2.2	2.4	2.1
United Kingdom	-2.4	5.8	0.0	0.6	0.5	1.5	2.8	3.0	3.0	-1.1	-0.1	1.2
Japan	-2.0	2.7	-0.5	1.9	-1.2	4.1	1.9	1.8	1.1	4.0	2.3	1.0
United States	2.4	2.7	1.3	4.6	3.0	8.2	11.1	5.9	2.8	7.9	7.4	4.4

Table 12: Public investment (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	2.3	2.5	2.7	2.8	3.1	3.2	3.2	3.2	3.2	3.1	3.3	3.3
Bulgaria	4.4	4.2	3.0	3.8	3.1	4.8	5.5	4.4	4.7	4.5	4.4	4.0
Germany	2.5	2.4	2.8	2.9	3.2	3.5	3.3	3.5	3.7	3.3	3.5	3.7
Estonia	5.7	5.2	5.5	6.4	6.1	6.6	7.8	6.9	7.0	6.7	7.9	7.2
Ireland	3.4	1.9	2.2	2.3	2.6	2.8	3.2	3.3	3.7	2.7	3.0	3.0
Greece	4.0	3.8	3.3	4.0	4.2	4.8	5.4	5.5	4.7	4.8	4.8	5.8
Spain	4.3	2.2	2.5	3.0	2.7	3.0	3.3	3.1	3.0	2.9	3.2	3.0
France	4.6	4.1	4.1	4.2	4.3	4.4	4.2	4.2	4.2	4.4	4.3	4.3
Croatia	4.5	3.4	4.4	5.6	5.2	6.0	6.4	5.8	5.5	6.0	6.4	5.8
Italy	3.1	2.4	2.6	3.2	3.6	3.9	4.0	4.0	3.8	3.8	3.8	3.8
Cyprus	4.2	2.5	3.1	3.0	2.7	3.2	3.3	3.0	3.0	3.3	3.5	3.5
Latvia	5.4	4.6	5.5	5.6	5.8	6.9	6.8	6.6	6.9	6.3	7.2	6.7
Lithuania	4.8	3.6	3.5	4.5	4.5	4.4	5.7	5.6	5.5	4.1	4.7	4.5
Luxembourg	4.1	3.7	4.2	4.7	4.6	4.8	4.9	4.7	4.7	5.0	4.9	4.9
Malta	2.6	3.0	3.5	3.5	3.2	3.1	3.3	3.9	3.9	3.1	3.4	3.6
Netherlands	4.2	3.5	3.4	3.3	3.3	3.5	3.5	3.6	3.8	3.5	3.4	3.6
Austria	3.2	3.0	3.3	3.7	3.9	3.8	4.0	3.9	3.9	3.9	4.1	4.1
Portugal	3.8	2.0	2.2	2.6	2.7	2.9	3.4	2.8	2.9	3.0	4.3	2.8
Slovakia	3.6	4.1	3.4	3.6	3.5	4.5	5.4	3.8	3.7	4.5	4.9	4.5
Slovenia	4.6	4.1	4.4	5.5	5.2	5.5	5.7	5.5	5.4	5.6	5.5	5.1
Finland	3.8	4.1	4.4	4.1	4.5	4.5	5.0	5.3	5.3	4.5	5.5	5.3
Euro area (21)	3.5	2.9	3.1	3.3	3.5	3.7	3.8	3.8	3.8	3.6	3.8	3.8
Czechia	4.9	3.9	4.4	4.8	4.7	5.2	5.2	4.7	4.7	5.2	5.0	4.7
Denmark	3.3	3.6	3.3	3.2	3.1	3.3	3.8	3.9	4.0	3.4	3.8	3.9
Hungary	3.5	4.8	6.0	5.3	4.3	4.1	3.7	3.7	3.7	3.8	4.0	4.1
Poland	5.3	4.1	4.2	5.1	4.8	5.2	5.3	5.4	5.4	5.2	5.3	5.4
Romania	5.5	4.1	3.8	5.4	5.8	6.1	6.7	5.7	5.8	6.0	6.8	6.3
Sweden	4.5	4.7	5.1	5.4	5.5	5.8	6.1	6.1	6.2	5.9	6.2	6.2
EU	3.7	3.1	3.3	3.6	3.7	3.9	4.0	4.0	4.0	3.9	4.0	4.0
United Kingdom	3.0	2.6	2.9	3.3	3.2	3.3	3.3	3.2	3.2	3.3	3.6	3.6
Japan	3.7	3.7	3.9	3.8	3.8	3.8	3.8	3.9	4.0	3.8	3.9	4.0
United States	3.9	3.3	3.4	3.3	3.4	3.4	3.3	3.3	3.3	3.4	3.3	3.3

Table 13: Potential GDP, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.4	1.1	1.6	2.0	1.7	1.4	**1.4**	**1.2**	**1.2**	*1.5*	*1.4*	*1.3*
Bulgaria	1.9	2.0	2.2	2.6	3.5	3.3	**2.9**	**2.6**	**2.6**	*3.4*	*2.9*	*2.8*
Germany	1.1	1.6	1.0	0.9	0.7	0.6	**0.5**	**0.5**	**0.6**	*0.4*	*0.4*	*0.4*
Estonia	0.5	2.5	3.1	1.1	0.4	0.3	**0.6**	**1.1**	**1.3**	*-0.2*	*0.4*	*0.4*
Ireland	0.2	8.6	7.0	4.6	3.5	4.6	**3.6**	**3.6**	**3.6**	*4.9*	*3.9*	*3.7*
Greece	-1.1	-1.7	-0.7	0.4	0.9	1.6	**1.7**	**1.8**	**1.8**	*1.6*	*1.7*	*1.7*
Spain	1.2	0.1	1.0	2.4	2.6	2.6	**2.6**	**2.5**	**2.4**	*2.7*	*2.7*	*2.5*
France	1.2	0.8	1.1	1.5	1.4	1.2	**1.1**	**1.1**	**1.1**	*1.2*	*1.1*	*1.0*
Croatia	0.3	0.8	2.7	4.7	4.2	4.2	**3.5**	**3.0**	**2.8**	*4.3*	*3.7*	*3.2*
Italy	0.0	0.0	0.7	1.2	1.4	1.0	**1.0**	**1.0**	**0.9**	*0.8*	*0.9*	*0.7*
Cyprus	1.9	0.4	5.2	6.1	5.3	5.2	**4.7**	**4.1**	**3.8**	*4.0*	*3.5*	*3.1*
Latvia	-0.4	2.1	2.1	1.0	0.8	1.4	**1.5**	**1.8**	**1.9**	*0.9*	*1.1*	*1.4*
Lithuania	1.8	2.5	4.0	3.5	2.9	2.4	**2.1**	**2.1**	**2.2**	*2.4*	*2.1*	*2.1*
Luxembourg	2.2	2.4	2.2	1.8	1.6	1.6	**1.5**	**1.5**	**1.6**	*1.1*	*1.0*	*1.1*
Malta	3.5	6.6	6.2	6.3	5.4	4.9	**4.7**	**4.5**	**4.5**	*5.3*	*4.7*	*4.6*
Netherlands	1.0	1.1	2.0	2.1	1.9	1.7	**1.5**	**1.4**	**1.3**	*1.6*	*1.4*	*1.3*
Austria	1.0	1.2	1.2	1.4	0.9	1.0	**0.8**	**0.8**	**0.9**	*0.5*	*0.7*	*0.6*
Portugal	-0.4	0.3	1.9	2.8	2.9	2.6	**2.3**	**2.1**	**2.0**	*2.3*	*2.0*	*1.8*
Slovakia	3.7	2.2	1.9	2.5	2.5	1.6	**1.7**	**1.3**	**1.2**	*1.6*	*1.4*	*1.2*
Slovenia	1.9	1.2	2.4	2.9	2.6	2.4	**2.6**	**2.5**	**2.5**	*2.2*	*2.2*	*2.2*
Finland	0.5	0.5	1.0	0.9	0.8	0.8	**0.9**	**1.1**	**1.2**	*0.4*	*0.5*	*0.6*
Euro area (21)	0.9	1.0	1.3	1.6	1.5	1.4	**1.3**	**1.2**	**1.2**	*1.3*	*1.2*	*1.2*
Czechia	2.0	2.0	1.8	2.2	1.4	1.7	**1.8**	**1.8**	**1.8**	*1.6*	*1.6*	*1.5*
Denmark	1.0	1.5	2.3	2.9	3.2	2.9	**2.6**	**2.5**	**2.4**	*2.1*	*1.9*	*1.9*
Hungary	0.4	1.7	3.4	2.2	1.4	1.3	**1.2**	**1.5**	**1.7**	*1.0*	*1.1*	*1.3*
Poland	4.0	3.4	3.8	2.9	2.8	3.3	**3.1**	**3.1**	**3.0**	*3.2*	*3.1*	*3.0*
Romania	2.6	3.0	3.7	2.9	1.7	0.9	**1.3**	**1.3**	**1.4**	*0.7*	*1.3*	*1.5*
Sweden	1.7	1.9	1.9	1.6	1.6	1.7	**1.8**	**1.7**	**1.7**	*1.4*	*1.4*	*1.5*
EU	1.0	1.2	1.5	1.7	1.6	1.5	**1.4**	**1.4**	**1.4**	*1.4*	*1.3*	*1.3*
United Kingdom	1.2	1.6	1.1	1.8	1.7	1.4	**1.4**	**1.4**	**1.4**	*1.2*	*1.1*	*1.1*
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	1.4	2.0	2.3	2.8	2.9	2.5	**2.4**	**2.3**	**2.3**	*2.5*	*2.3*	*2.2*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-0.2	-0.5	-0.8	0.7	-0.1	-0.6	**-1.2**	**-1.6**	**-1.6**	*-0.6*	*-1.3*	*-1.6*
Bulgaria	0.5	-0.9	0.0	0.7	0.5	0.3	**0.1**	**-0.4**	**-0.7**	*0.4*	*0.0*	*-0.6*
Germany	-0.7	0.1	0.0	-1.1	-1.8	-2.1	**-1.3**	**-0.9**	**-0.7**	*-1.7*	*-1.5*	*-1.0*
Estonia	-4.0	0.8	0.6	-3.6	-3.9	-2.9	**-1.3**	**-0.3**	**0.7**	*-2.7*	*-1.4*	*-0.2*
Ireland	-3.0	0.8	-0.6	0.0	0.2	3.4	**-0.7**	**-0.4**	**-0.5**	*4.8*	*-0.3*	*-0.6*
Greece	-8.7	-15.1	-7.4	0.8	2.0	2.5	**2.7**	**2.4**	**2.0**	*2.7*	*2.8*	*2.7*
Spain	-4.6	-4.8	-1.2	0.8	1.9	1.9	**1.9**	**1.6**	**1.2**	*2.0*	*1.7*	*1.2*
France	-1.2	-1.3	-1.4	-0.3	-0.2	-0.6	**-1.4**	**-1.8**	**-1.5**	*-0.6*	*-0.9*	*-0.8*
Croatia	-0.3	-3.3	0.1	2.9	2.6	2.0	**0.6**	**-0.1**	**-0.5**	*1.5*	*0.6*	*-0.1*
Italy	-1.5	-3.3	-2.3	1.4	1.1	0.7	**0.6**	**0.3**	**0.3**	*0.8*	*0.5*	*0.4*
Cyprus	-0.2	-5.1	0.5	2.7	4.0	3.5	**2.3**	**1.1**	**0.6**	*2.9*	*1.6*	*1.3*
Latvia	-5.6	0.6	0.5	-0.9	-1.3	-0.5	**0.5**	**0.5**	**0.7**	*-0.1*	*0.3*	*0.4*
Lithuania	-4.7	0.4	1.7	-1.2	-1.2	-0.6	**0.0**	**0.1**	**0.2**	*-0.9*	*-0.1*	*-0.1*
Luxembourg	-1.2	-0.6	-0.9	-3.2	-2.8	-3.0	**-3.1**	**-2.8**	**-2.5**	*-3.8*	*-3.2*	*-2.4*
Malta	-0.7	1.8	-0.3	-0.5	-0.6	-0.7	**-1.5**	**-2.4**	**-3.0**	*-0.2*	*-1.2*	*-2.1*
Netherlands	-1.2	-1.4	-0.1	-0.3	-1.1	-1.2	**-0.9**	**-0.8**	**-0.5**	*-0.7*	*-1.1*	*-1.4*
Austria	-0.2	-0.7	-0.3	0.2	-0.9	-1.2	**-1.2**	**-0.8**	**-0.6**	*-1.1*	*-1.2*	*-0.9*
Portugal	-1.6	-2.0	-0.9	1.0	0.8	0.1	**0.2**	**0.0**	**0.1**	*0.2*	*0.0*	*0.0*
Slovakia	0.0	-1.3	0.5	0.4	0.5	-0.2	**-1.1**	**-0.8**	**-0.5**	*-0.5*	*-1.1*	*-0.8*
Slovenia	-1.0	-4.5	1.5	2.3	1.7	0.8	**2.1**	**2.5**	**2.5**	*1.2*	*0.9*	*1.0*
Finland	-0.8	-1.8	-0.2	-2.8	-2.6	-2.5	**-1.8**	**-1.3**	**-0.9**	*-2.6*	*-2.3*	*-1.6*
Euro area (21)	-1.6	-1.8	-0.9	-0.1	-0.3	-0.5	**-0.5**	**-0.6**	**-0.5**	*-0.2*	*-0.5*	*-0.5*
Czechia	-0.5	-0.9	0.4	-1.3	-1.4	-0.5	**-0.6**	**0.1**	**0.5**	*-0.5*	*-0.4*	*0.5*
Denmark	-2.3	-1.7	-1.6	-4.6	-3.9	-3.4	**-1.6**	**-2.1**	**-2.3**	*-1.7*	*-1.7*	*-1.9*
Hungary	-4.4	-0.4	1.9	-0.4	-1.1	-1.7	**-1.1**	**0.2**	**1.4**	*-1.3*	*-0.6*	*0.2*
Poland	1.4	-1.4	0.8	-1.1	-0.7	-0.1	**0.3**	**-0.1**	**-0.3**	*-0.2*	*0.1*	*-0.1*
Romania	-1.0	-1.0	-1.2	-0.7	-1.3	-1.4	**-3.0**	**-2.5**	**-1.8**	*-1.4*	*-2.5*	*-1.7*
Sweden	-1.6	-0.4	-0.5	-2.1	-1.7	-2.0	**-1.0**	**-0.5**	**-0.7**	*-1.8*	*-1.4*	*-0.8*
EU	-1.5	-1.7	-0.8	-0.3	-0.5	-0.6	**-0.6**	**-0.6**	**-0.5**	*-0.3*	*-0.6*	*-0.5*
United Kingdom	-3.0	-0.5	-1.4	-0.1	-0.6	-0.8	**-0.9**	**-1.0**	**-1.0**	*-0.4*	*-0.8*	*-0.8*
Japan	:	:	:	:	:	:	:	:	:	:	:	:
United States	-1.7	-0.4	-0.5	0.1	0.2	0.0	**0.0**	**-0.2**	**-0.5**	*0.0*	*-0.1*	*-0.3*

[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, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.8	1.4	2.9	5.7	1.8	2.5	2.2	2.6	2.1	2.6	2.2	2.1
Bulgaria	4.0	2.5	7.8	8.0	7.2	7.5	7.6	4.6	4.2	7.4	1.9	2.2
Germany	1.3	1.7	2.9	7.2	3.1	3.0	2.8	3.2	2.9	3.0	2.5	3.0
Estonia	3.6	2.9	5.6	7.9	4.4	3.7	3.0	3.1	3.0	3.8	3.5	3.2
Ireland	-0.8	2.4	2.2	2.9	4.1	-0.7	2.6	2.9	2.5	1.0	2.0	2.1
Greece	1.6	-0.9	1.4	6.5	3.4	2.9	4.2	2.9	2.1	2.8	2.9	2.7
Spain	0.5	0.5	2.2	6.2	3.1	3.0	3.0	3.1	2.4	2.9	2.6	2.5
France	1.1	0.7	1.9	5.1	2.0	1.1	1.8	1.9	2.4	1.2	1.8	2.0
Croatia	2.5	0.4	2.9	12.8	5.2	4.1	4.5	3.0	2.7	4.7	4.7	2.9
Italy	1.6	0.8	1.6	6.1	2.1	1.8	1.9	2.3	2.0	2.0	1.9	2.0
Cyprus	2.0	-0.5	2.1	5.3	2.7	0.7	2.9	2.7	2.4	1.1	2.5	2.2
Latvia	2.6	1.5	4.7	10.7	3.7	3.9	3.5	3.7	3.2	3.6	3.1	2.1
Lithuania	3.3	1.3	5.6	11.9	2.6	3.6	5.3	3.9	3.4	3.6	3.4	3.3
Luxembourg	3.8	1.7	3.7	6.9	4.2	3.2	3.8	2.7	2.2	3.2	2.8	2.3
Malta	2.4	2.6	2.5	8.3	4.8	2.1	2.6	3.0	2.6	2.2	2.3	2.1
Netherlands	1.0	0.9	3.4	6.3	5.1	3.3	3.2	3.2	2.6	3.3	3.2	2.5
Austria	1.7	1.8	2.5	7.5	4.5	3.0	2.2	2.7	2.3	3.2	2.1	2.9
Portugal	0.6	1.7	2.6	7.5	4.9	4.0	3.1	3.2	2.6	3.9	2.8	2.6
Slovakia	1.0	0.2	3.3	10.0	3.7	4.2	4.1	3.0	3.2	4.2	3.7	2.8
Slovenia	1.7	1.0	3.0	9.8	3.1	3.9	3.4	3.1	2.9	3.5	3.6	2.9
Finland	2.1	1.3	2.7	3.9	0.3	1.2	2.6	2.2	1.7	1.5	2.3	2.0
Euro area (21)	1.2	1.1	2.4	6.3	3.0	2.4	2.6	2.7	2.5	2.5	2.3	2.4
Czechia	1.1	1.7	4.8	8.6	4.0	3.5	2.4	3.2	2.3	3.5	2.7	3.1
Denmark	2.2	0.8	3.5	-2.9	3.4	1.0	-1.6	1.5	2.1	1.7	1.3	2.2
Hungary	3.3	2.9	7.2	15.1	7.5	6.4	3.9	3.4	3.6	6.3	3.9	3.1
Poland	2.9	0.8	4.9	9.9	4.1	2.8	2.5	3.3	3.7	2.9	3.2	2.9
Romania	6.7	2.7	6.5	12.4	10.1	8.4	8.6	5.4	4.8	8.2	7.4	4.8
Sweden	1.8	1.8	3.1	5.8	2.8	1.7	1.4	2.4	2.1	1.2	1.2	1.7
EU	1.4	1.2	2.7	6.4	3.2	2.5	2.6	2.8	2.6	2.6	2.4	2.5
United Kingdom	2.1	1.5	3.1	6.3	3.8	3.6	2.6	2.5	2.2	3.7	2.6	2.1
Japan	-1.1	0.8	0.5	4.6	3.2	3.4	3.0	2.3	2.2	3.4	1.6	2.2
United States	1.5	1.6	3.4	3.7	2.6	2.6	3.6	2.2	1.7	2.8	3.3	2.1

Table 16: Price deflator of private consumption (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.8	1.2	3.5	6.0	1.6	2.5	3.2	2.6	2.2	2.3	3.1	2.2
Bulgaria	3.0	1.7	5.9	8.1	5.0	4.3	5.8	4.6	3.8	4.9	2.9	2.6
Germany	1.4	1.1	2.8	6.6	2.3	2.5	3.1	3.3	2.1	2.6	2.9	3.0
Estonia	4.0	2.0	5.0	8.3	3.2	3.2	3.1	3.6	2.4	3.1	4.4	2.9
Ireland	-0.9	1.0	2.6	7.8	3.1	1.7	3.7	3.4	2.5	1.5	3.6	2.8
Greece	2.4	-1.2	1.2	3.8	2.4	3.4	3.6	2.8	2.1	3.4	3.5	2.2
Spain	1.8	0.5	2.2	5.1	3.2	2.4	3.7	3.1	2.3	2.8	3.3	2.7
France	1.1	0.4	2.0	6.9	2.2	0.9	2.3	2.8	2.0	0.7	2.5	1.7
Croatia	3.1	0.2	3.2	8.7	3.6	4.1	4.3	2.9	2.5	3.7	4.2	2.3
Italy	1.9	0.7	2.2	5.0	1.8	1.4	3.2	3.0	1.8	1.4	2.9	2.0
Cyprus	2.6	-0.9	1.9	3.2	1.8	0.3	3.8	2.4	1.9	0.4	3.2	2.0
Latvia	4.1	0.9	4.6	7.5	2.0	3.6	3.3	3.7	3.0	3.6	3.6	2.2
Lithuania	4.9	0.9	5.3	8.7	1.3	3.7	5.3	3.3	2.8	3.5	4.4	2.7
Luxembourg	1.8	1.2	2.2	4.7	2.7	2.4	3.4	2.7	1.8	2.1	3.1	2.0
Malta	2.7	0.9	2.0	11.7	3.7	-0.5	2.6	3.1	2.8	2.0	2.6	2.3
Netherlands	1.3	1.1	3.6	6.9	2.7	2.7	2.7	2.6	2.1	2.6	3.0	2.5
Austria	1.9	1.7	2.8	8.0	3.5	2.6	3.1	2.9	2.0	2.7	3.0	2.5
Portugal	1.3	0.9	2.4	4.8	3.1	2.5	3.0	2.8	2.0	2.5	2.9	2.2
Slovakia	2.5	0.4	4.2	10.1	3.0	4.5	3.8	3.1	3.2	4.2	4.2	2.9
Slovenia	2.3	0.3	3.2	7.4	2.1	1.8	3.4	2.4	2.3	1.7	3.5	2.5
Finland	2.6	1.1	2.2	4.3	1.2	1.3	2.5	2.3	1.7	1.1	2.4	1.9
Euro area (21)	1.6	0.8	2.5	6.2	2.4	2.0	3.1	3.0	2.1	2.0	2.9	2.4
Czechia	2.2	1.3	5.4	8.6	3.3	3.0	3.1	2.6	2.0	3.0	3.7	2.6
Denmark	2.3	0.5	2.2	3.3	1.5	2.5	1.7	2.7	2.5	2.4	1.8	1.8
Hungary	4.4	1.5	6.3	13.9	5.6	6.3	2.5	3.5	3.0	5.7	4.3	3.2
Poland	3.4	0.2	5.3	9.5	3.4	3.3	3.3	3.9	3.6	3.8	3.4	2.6
Romania	6.4	1.4	4.9	8.0	5.4	7.6	8.7	5.1	4.4	7.6	7.6	4.0
Sweden	1.6	1.0	2.9	6.7	2.9	2.7	1.8	2.8	2.2	2.7	1.5	1.8
EU	1.8	0.8	2.8	6.5	2.5	2.3	3.1	3.1	2.3	2.3	3.0	2.4
United Kingdom	2.3	1.2	3.0	6.9	3.0	3.2	3.0	2.8	2.3	3.5	2.7	2.2
Japan	-0.9	0.5	1.3	3.4	2.6	2.9	2.8	1.8	1.8	2.9	1.6	1.7
United States	1.8	1.3	3.0	3.9	2.6	2.6	3.4	2.1	1.9	2.6	3.4	2.2

Table 17a: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	2.6	1.3	3.5	2.3	4.3	3.0	**3.6**	**3.2**	**2.5**	3.0	3.4	2.6
Bulgaria	4.6	-0.5	4.4	8.6	2.6	3.5	**4.6**	**3.9**	**3.3**	3.5	4.2	2.6
Germany	1.7	1.0	3.1	6.0	2.5	2.3	**2.9**	**3.2**	**2.0**	2.3	2.9	2.7
Estonia	4.6	1.6	5.8	9.1	3.7	4.8	**3.1**	**3.6**	**2.4**	4.8	4.4	2.9
Ireland	0.6	0.2	2.3	5.2	1.3	2.1	**3.4**	**3.1**	**2.2**	2.1	3.5	2.6
Greece	2.9	-0.4	2.0	4.2	3.0	2.9	**4.1**	**3.2**	**2.4**	2.9	3.7	2.4
Spain	2.3	0.5	2.7	3.4	2.9	2.7	**3.9**	**3.3**	**2.3**	2.7	3.0	2.5
France	1.9	0.6	2.4	5.7	2.3	0.9	**2.6**	**2.9**	**2.1**	0.9	2.4	1.8
Croatia	2.9	0.6	3.1	8.4	4.0	4.4	**4.2**	**3.0**	**2.6**	4.4	4.6	2.7
Italy	2.4	0.6	2.5	5.9	1.1	1.6	**3.4**	**3.1**	**1.8**	1.7	3.2	1.8
Cyprus	2.7	-0.4	2.1	3.9	2.3	0.8	**3.9**	**2.9**	**2.4**	0.8	3.6	2.2
Latvia	4.8	0.8	5.2	9.1	1.3	3.8	**3.2**	**3.6**	**2.9**	3.8	3.6	2.2
Lithuania	4.7	1.0	5.9	8.7	0.9	3.4	**5.1**	**3.3**	**2.9**	3.4	4.4	2.7
Luxembourg	2.7	0.9	3.1	2.9	2.3	2.5	**3.7**	**2.5**	**1.9**	2.5	2.7	1.8
Malta	2.9	1.0	2.2	5.6	2.4	2.4	**2.5**	**3.0**	**2.6**	2.4	2.7	2.3
Netherlands	1.9	0.9	4.0	4.1	3.2	3.0	**3.0**	**2.9**	**2.2**	3.0	3.2	2.5
Austria	2.3	1.5	3.3	7.7	2.9	3.6	**3.1**	**2.9**	**2.0**	3.6	3.0	2.5
Portugal	1.9	0.6	2.1	5.3	2.7	2.2	**3.2**	**3.0**	**2.2**	2.2	3.0	2.3
Slovakia	2.7	0.4	4.5	11.0	3.2	4.2	**3.8**	**3.2**	**4.0**	4.2	4.3	3.2
Slovenia	2.7	0.6	2.9	7.2	2.0	2.5	**3.4**	**2.4**	**2.3**	2.5	3.5	2.5
Finland	2.7	0.9	2.4	4.3	1.0	1.8	**2.5**	**2.3**	**1.7**	1.8	2.4	1.9
Euro area (21)	2.1	0.7	2.8	5.5	2.4	2.1	**3.2**	**3.1**	**2.1**	2.1	3.0	2.3
Czechia	2.8	1.0	5.2	12.0	2.7	2.3	**2.1**	**2.8**	**2.5**	2.3	2.7	2.8
Denmark	2.4	0.4	2.4	3.4	1.3	1.8	**1.7**	**2.7**	**2.5**	1.8	1.8	1.9
Hungary	4.9	0.9	6.0	17.0	3.7	4.4	**2.2**	**3.4**	**3.0**	4.4	3.2	3.1
Poland	3.7	0.3	5.1	10.8	3.7	3.3	**3.3**	**4.4**	**3.9**	3.3	3.6	2.9
Romania	5.8	0.8	5.3	9.7	5.8	6.8	**7.9**	**4.4**	**3.8**	6.8	7.0	3.7
Sweden	1.9	0.9	3.0	5.9	2.0	2.6	**1.3**	**2.8**	**2.4**	2.6	1.5	1.8
EU	2.4	0.7	3.2	6.4	2.6	2.5	**3.3**	**3.2**	**2.3**	2.5	3.1	2.4
United Kingdom	2.9	1.5	3.1	6.8	3.3	3.9	**3.3**	**3.0**	**2.3**	3.9	3.2	1.9
Japan	-0.2	0.8	0.7	3.3	2.7	3.2	**1.8**	**1.1**	**1.5**	3.2	2.3	2.4
United States	2.1	1.3	3.6	4.1	2.9	2.6	**3.4**	**2.7**	**2.2**	2.6	3.5	2.1

Table 17b: All-items HICP, excluding energy, food, alcohol and tobacco (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.7	1.6	1.9	6.0	3.4	2.4	**2.8**	**2.7**	**2.5**	2.4	2.4	2.4
Bulgaria	3.6	-0.8	2.8	8.9	3.1	2.9	**3.5**	**3.6**	**2.7**	2.9	3.6	3.2
Germany	1.2	1.3	1.9	5.1	3.2	2.8	**2.5**	**2.4**	**1.9**	2.8	2.6	2.9
Estonia	2.5	1.5	3.4	8.7	5.1	5.9	**2.1**	**3.3**	**3.4**	5.9	3.3	3.5
Ireland	-0.3	0.7	1.5	4.4	2.3	2.0	**2.9**	**2.8**	**2.6**	2.0	2.8	2.7
Greece	1.7	-0.7	0.7	5.3	3.6	3.6	**3.6**	**3.9**	**2.6**	3.6	2.9	3.2
Spain	1.3	0.7	1.4	4.1	2.8	2.6	**3.4**	**3.5**	**2.4**	2.6	2.8	2.6
France	1.4	0.7	1.4	4.0	2.3	1.6	**1.5**	**1.9**	**1.6**	1.6	1.5	1.7
Croatia	1.5	0.7	2.2	8.8	4.8	4.1	**3.5**	**3.2**	**2.5**	4.1	3.7	2.8
Italy	1.9	0.8	1.1	4.6	2.2	1.9	**2.1**	**2.2**	**2.3**	1.9	2.1	2.5
Cyprus	1.5	-0.2	1.3	3.8	2.6	1.9	**3.1**	**3.4**	**3.3**	1.9	2.7	3.3
Latvia	1.5	1.2	2.9	8.4	3.7	3.5	**3.4**	**3.5**	**3.5**	3.5	2.8	2.5
Lithuania	1.9	1.7	4.1	9.6	3.2	3.0	**3.6**	**3.2**	**3.0**	3.0	3.5	2.9
Luxembourg	2.0	1.5	1.9	3.9	2.5	1.8	**1.8**	**1.7**	**1.8**	1.8	2.0	2.0
Malta	1.7	1.0	2.0	4.9	2.1	2.4	**2.5**	**3.1**	**2.6**	2.4	2.7	2.3
Netherlands	1.5	1.1	2.3	6.4	3.2	2.8	**2.8**	**2.8**	**2.4**	2.8	2.5	2.4
Austria	1.9	1.9	2.6	7.3	3.9	3.1	**3.0**	**2.8**	**2.6**	3.1	2.8	2.8
Portugal	1.1	0.6	1.2	5.4	2.7	2.3	**2.5**	**2.8**	**2.5**	2.3	2.4	2.4
Slovakia	2.0	0.9	3.6	9.5	4.3	5.6	**3.7**	**3.0**	**2.0**	5.6	3.4	2.3
Slovenia	1.1	0.6	2.1	6.7	2.8	2.4	**2.6**	**2.9**	**2.7**	2.4	2.4	2.2
Finland	1.9	1.2	1.2	4.1	2.2	2.4	**1.5**	**1.8**	**1.7**	2.4	1.1	1.8
Euro area (21)	1.4	1.0	1.6	5.0	2.8	2.4	**2.4**	**2.6**	**2.1**	2.4	2.3	2.5
Czechia	1.2	0.9	4.5	9.3	4.1	2.9	**3.1**	**2.8**	**2.8**	2.9	3.0	2.5
Denmark	1.6	0.7	1.4	4.6	1.3	1.6	**2.3**	**2.4**	**2.0**	1.6	2.0	2.1
Hungary	3.1	1.6	4.3	14.0	5.9	5.3	**3.8**	**3.8**	**3.3**	5.3	4.0	3.6
Poland	2.0	0.5	4.2	9.2	3.9	2.8	**2.6**	**3.0**	**2.9**	2.8	2.5	2.7
Romania	4.3	1.3	3.2	9.7	8.4	6.6	**8.1**	**4.8**	**4.1**	6.6	6.5	4.2
Sweden	1.3	0.9	2.1	6.5	3.2	2.4	**1.3**	**2.5**	**2.6**	2.4	1.7	2.2
EU	1.5	0.9	2.0	5.7	3.1	2.6	**2.6**	**2.7**	**2.2**	2.6	2.5	2.6

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2026-28) 03.11.2026

	2026/1	2026/2	2026/3	2026/4	2027/1	2027/2	2027/3	2027/4	2028/1	2028/2	2028/3	2028/4
Belgium	1.6	3.8	4.1	4.7	4.4	3.3	2.6	2.4	2.6	2.5	2.4	2.3
Bulgaria	2.4	5.8	5.0	5.3	5.0	3.4	3.9	3.3	3.7	3.6	3.0	3.1
Germany	2.3	2.6	3.0	3.5	3.6	3.2	3.1	2.9	2.2	2.1	1.8	1.8
Estonia	3.5	2.9	2.1	3.9	4.5	4.1	3.2	2.5	2.3	2.2	2.3	2.6
Ireland	2.9	3.4	3.4	4.0	3.7	3.2	3.2	2.6	2.4	2.3	2.2	2.2
Greece	3.1	4.4	3.8	5.0	4.5	3.0	3.2	2.3	2.4	2.4	2.4	2.4
Spain	2.8	3.6	4.5	4.9	4.6	3.9	2.8	2.3	2.7	2.3	2.1	2.0
France	1.1	2.4	2.8	4.0	4.3	3.4	2.3	1.6	2.4	2.1	1.9	1.9
Croatia	4.1	4.8	3.9	4.0	3.2	3.2	3.1	2.7	3.3	2.5	2.3	2.2
Italy	1.4	3.0	3.4	5.9	5.5	3.6	2.6	0.8	0.8	1.6	2.3	2.3
Cyprus	1.2	3.5	4.9	6.0	5.9	3.0	1.7	1.1	1.2	2.5	2.8	2.9
Latvia	2.9	3.2	2.8	3.8	4.3	2.9	4.1	3.1	3.0	3.0	2.7	2.7
Lithuania	3.5	5.1	5.7	5.9	4.5	3.4	2.7	2.6	2.9	2.8	2.9	2.9
Luxembourg	2.4	4.5	4.2	3.8	3.6	2.5	2.4	1.8	1.7	1.9	2.0	2.1
Malta	2.3	2.2	2.1	2.7	3.0	2.9	3.5	2.9	2.7	2.6	2.5	2.4
Netherlands	2.3	2.8	2.9	3.8	3.5	3.1	2.7	2.2	2.3	2.3	2.3	2.1
Austria	2.5	3.4	3.1	3.5	3.5	2.9	2.9	2.4	2.1	2.0	1.9	2.0
Portugal	2.2	3.2	3.4	3.9	3.8	3.1	2.8	2.3	2.3	2.3	2.2	2.1
Slovakia	4.0	3.9	3.1	4.0	3.4	3.4	3.6	2.6	3.7	4.0	4.0	4.1
Slovenia	2.5	3.7	3.4	4.0	3.4	2.0	2.0	2.1	2.6	2.7	2.1	1.9
Finland	1.8	2.6	2.5	3.2	2.8	2.5	2.1	1.9	1.8	1.4	1.7	1.9
Euro area (21)	2.0	3.0	3.3	4.3	4.2	3.3	2.8	2.1	2.1	2.1	2.1	2.0
Czechia	1.2	1.7	1.7	3.6	4.0	3.4	2.7	1.1	1.7	2.3	2.8	3.1
Denmark	0.7	1.6	1.9	2.6	3.7	3.2	2.0	2.1	2.5	2.6	2.5	2.5
Hungary	2.0	2.3	1.8	2.8	3.4	3.5	3.8	3.0	3.1	3.0	2.9	3.0
Poland	2.7	3.2	3.5	3.7	4.9	4.6	4.0	3.9	4.1	3.8	3.8	3.8
Romania	8.6	9.5	7.0	6.5	5.6	4.4	3.8	3.7	4.2	3.9	3.6	3.3
Sweden	1.7	0.9	0.5	2.2	2.7	3.0	3.2	2.1	2.3	2.4	2.3	2.4
EU	2.3	3.2	3.3	4.2	4.3	3.5	2.9	2.3	2.4	2.3	2.3	2.3
United Kingdom	3.3	2.9	3.3	3.8	4.3	3.0	2.5	2.4	2.4	2.5	2.2	2.0
Japan	1.4	1.5	2.0	2.2	2.6	0.7	0.6	0.3	0.6	2.0	1.8	1.6
United States	2.7	3.8	3.5	3.3	3.1	2.7	2.6	2.4	2.4	2.1	2.2	2.1

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			*Spring 2026 Forecast*		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	*2025*	*2026*	*2027*
Belgium	2.1	-1.0	4.7	1.3	-0.8	-1.0	**4.0**	**1.6**	**0.7**	*-2.1*	*3.7*	*0.4*
Bulgaria	3.8	-0.6	8.6	-5.9	-2.4	0.6	**10.3**	**4.2**	**1.5**	*1.1*	*2.2*	*1.6*
Germany	1.1	0.0	3.4	1.6	0.4	1.0	**3.2**	**1.6**	**1.0**	*1.0*	*2.2*	*0.8*
Estonia	2.6	-0.2	5.9	4.5	0.9	2.5	**3.1**	**3.1**	**2.5**	*2.5*	*3.1*	*2.4*
Ireland	0.5	0.1	-1.3	-0.3	1.3	-3.6	**1.2**	**0.9**	**0.5**	*-2.4*	*1.0*	*0.4*
Greece	4.2	-3.3	6.9	-8.6	-0.7	-3.7	**14.3**	**2.4**	**-3.3**	*-5.6*	*6.4*	*-1.8*
Spain	2.0	-0.3	5.5	0.8	0.3	0.2	**3.9**	**2.9**	**1.9**	*0.3*	*2.1*	*0.9*
France	1.2	-0.4	4.5	-1.9	-2.7	-0.8	**4.0**	**5.0**	**0.5**	*-0.3*	*1.5*	*0.5*
Croatia	3.1	-1.6	3.1	2.7	-0.7	0.6	**3.8**	**2.6**	**1.4**	*0.0*	*2.5*	*2.1*
Italy	1.6	0.0	3.8	1.7	-0.4	0.5	**3.4**	**2.7**	**1.2**	*0.8*	*1.7*	*1.9*
Cyprus	1.8	0.8	1.5	1.4	1.0	1.2	**2.8**	**3.1**	**2.0**	*1.2*	*1.2*	*1.3*
Latvia	4.3	0.4	6.7	-2.4	-1.4	0.8	**3.8**	**2.6**	**1.8**	*0.8*	*3.0*	*1.4*
Lithuania	4.5	-2.0	3.6	-3.7	0.1	-0.9	**7.5**	**1.5**	**1.6**	*-0.9*	*2.7*	*1.5*
Luxembourg	3.2	0.5	4.6	0.5	-2.4	1.2	**4.0**	**1.4**	**1.6**	*0.9*	*2.8*	*1.4*
Malta	1.7	1.6	2.3	0.6	0.3	-0.1	**4.2**	**3.0**	**2.7**	*2.4*	*2.9*	*2.1*
Netherlands	2.1	-1.4	6.1	-3.8	-1.4	-0.3	**4.6**	**1.8**	**-0.8**	*-0.3*	*3.5*	*0.2*
Austria	1.4	-0.4	3.5	0.2	-0.8	0.7	**2.4**	**1.2**	**0.8**	*0.6*	*1.5*	*1.3*
Portugal	1.7	-1.3	4.7	-1.2	-1.3	-1.5	**3.8**	**1.6**	**-0.2**	*-1.6*	*3.2*	*-0.5*
Slovakia	0.6	-1.3	3.8	4.1	-1.8	0.2	**2.8**	**1.9**	**1.4**	*0.2*	*2.9*	*1.2*
Slovenia	1.1	-0.4	4.3	0.5	-1.1	1.0	**4.2**	**3.0**	**1.9**	*0.6*	*3.5*	*1.5*
Finland	0.3	-1.0	6.8	-6.1	-4.5	-0.3	**6.3**	**1.5**	**1.5**	*-1.2*	*3.5*	*0.7*
Euro area (21)	1.5	-0.4	4.0	-0.2	-0.6	-0.2	**3.7**	**2.3**	**0.7**	*-0.1*	*2.3*	*0.8*
Czechia	-0.4	0.0	3.1	-0.6	3.8	-1.0	**2.3**	**0.1**	**0.9**	*-1.1*	*2.7*	*0.1*
Denmark	2.6	-0.3	2.9	-0.3	0.4	1.3	**-2.7**	**1.3**	**1.8**	*1.2*	*-0.7*	*0.8*
Hungary	2.2	0.2	7.7	0.0	0.9	0.9	**2.2**	**1.7**	**1.2**	*2.7*	*-2.7*	*-0.6*
Poland	4.6	0.8	7.3	-4.7	-8.0	-4.6	**1.0**	**1.8**	**1.3**	*-4.7*	*1.8*	*1.5*
Romania	8.4	-2.8	7.2	2.1	-2.3	1.8	**4.9**	**3.3**	**2.9**	*1.8*	*3.2*	*2.3*
Sweden	0.2	0.6	5.5	4.9	-0.6	-4.3	**3.5**	**3.1**	**0.4**	*-4.4*	*0.0*	*0.9*
EU	1.6	-0.3	4.3	-0.3	-0.9	-0.5	**3.3**	**2.2**	**0.8**	*-0.4*	*2.1*	*0.8*
United Kingdom	4.9	0.1	4.8	-0.4	-1.2	-0.1	**7.0**	**6.4**	**4.8**	*-0.5*	*1.2*	*1.9*
Japan	-4.5	1.7	3.0	4.2	7.1	-0.1	**13.5**	**10.1**	**6.9**	*-0.1*	*4.5*	*3.3*
United States	1.9	-2.1	4.5	-4.1	-0.4	0.9	**8.4**	**2.7**	**1.3**	*0.8*	*4.8*	*-0.7*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	3.0	-1.6	6.2	-0.5	-0.9	-0.2	**5.1**	**1.4**	**0.3**	*0.0*	*4.7*	*0.1*
Bulgaria	3.5	-1.5	6.6	-3.6	-1.0	-0.2	**8.7**	**4.6**	**1.3**	*0.4*	*4.8*	*2.4*
Germany	1.5	-1.5	4.6	-3.5	-1.3	0.1	**4.7**	**1.9**	**-0.8**	*0.1*	*3.9*	*0.5*
Estonia	3.2	-0.4	5.3	0.5	0.3	1.5	**5.9**	**4.3**	**2.9**	*1.5*	*5.0*	*2.5*
Ireland	0.3	0.1	1.8	0.3	1.7	0.0	**2.5**	**0.8**	**0.2**	*-0.1*	*3.5*	*0.6*
Greece	4.7	-4.0	7.3	-11.7	-1.4	-1.8	**9.5**	**1.5**	**-1.2**	*-2.1*	*7.1*	*-2.3*
Spain	3.0	-0.6	6.1	-5.7	-0.8	-1.1	**4.3**	**2.5**	**1.2**	*-1.2*	*3.4*	*1.3*
France	1.7	-1.7	5.7	-3.0	-2.2	-1.6	**5.0**	**7.0**	**-1.0**	*-3.1*	*3.2*	*0.0*
Croatia	2.5	-0.5	4.7	0.9	-0.9	2.0	**4.8**	**3.4**	**1.4**	*1.4*	*4.2*	*1.5*
Italy	3.0	-2.0	6.7	-8.3	-2.6	-0.9	**7.2**	**3.6**	**0.1**	*-0.8*	*3.6*	*1.1*
Cyprus	2.2	-1.5	2.4	0.9	1.0	0.6	**4.0**	**2.7**	**1.4**	*0.3*	*2.8*	*0.7*
Latvia	4.8	-1.0	5.7	-4.1	-2.4	0.1	**7.4**	**1.8**	**0.6**	*0.0*	*5.0*	*2.0*
Lithuania	4.8	-3.0	7.3	-8.3	-2.7	-2.4	**7.4**	**1.0**	**1.3**	*-2.4*	*5.9*	*0.4*
Luxembourg	2.8	-0.4	5.6	-0.3	-0.6	-0.2	**6.1**	**0.2**	**0.8**	*-1.2*	*3.0*	*0.2*
Malta	1.8	0.7	2.1	-0.7	-0.3	-0.4	**4.2**	**3.0**	**2.5**	*2.4*	*3.0*	*2.1*
Netherlands	2.8	-2.1	6.9	-5.5	-3.6	-1.5	**5.5**	**1.7**	**-1.3**	*-1.3*	*3.3*	*0.3*
Austria	2.2	-0.8	5.2	0.2	-2.6	0.1	**3.6**	**0.6**	**-0.1**	*-0.7*	*2.8*	*-0.4*
Portugal	1.7	-2.3	5.0	-4.4	-3.2	-1.7	**4.9**	**0.9**	**-0.6**	*-1.8*	*3.9*	*-0.9*
Slovakia	2.0	-1.0	5.3	3.7	-3.8	-0.3	**2.7**	**2.3**	**1.5**	*-0.3*	*3.8*	*1.5*
Slovenia	2.3	-1.1	5.2	-3.3	-2.0	-0.6	**5.4**	**2.8**	**1.7**	*-0.2*	*4.0*	*1.1*
Finland	1.3	-2.0	6.0	-5.1	-1.8	-2.1	**6.2**	**1.5**	**1.4**	*-2.0*	*4.0*	*0.5*
Euro area (21)	2.2	-1.6	5.6	-4.0	-1.9	-0.7	**5.1**	**2.7**	**-0.2**	*-1.0*	*3.7*	*0.5*
Czechia	0.5	-0.6	3.6	-3.7	2.1	-1.7	**4.2**	**-1.2**	**0.3**	*-1.7*	*4.6*	*-1.1*
Denmark	2.3	-1.3	5.0	-4.8	-2.7	3.2	**6.4**	**3.7**	**1.5**	*1.1*	*3.2*	*0.6*
Hungary	2.8	-0.5	9.7	-5.8	2.0	-0.3	**1.1**	**2.0**	**0.8**	*-0.2*	*-1.0*	*-1.4*
Poland	5.1	-0.8	7.8	-6.3	-7.1	-3.1	**3.3**	**2.0**	**0.1**	*-3.0*	*3.0*	*1.5*
Romania	8.5	-2.4	6.0	0.7	-4.6	1.1	**3.9**	**2.7**	**1.5**	*1.1*	*3.2*	*1.8*
Sweden	0.0	-0.1	6.0	4.4	-1.3	-3.8	**6.6**	**3.7**	**0.8**	*-3.6*	*0.9*	*0.7*
EU	2.4	-1.4	5.8	-3.8	-2.0	-0.9	**5.0**	**2.6**	**-0.1**	*-1.1*	*3.5*	*0.5*
United Kingdom	4.4	-0.1	4.7	0.5	-3.7	0.2	**8.0**	**5.5**	**3.1**	*0.4*	*2.6*	*1.6*
Japan	-1.3	-0.4	7.6	-2.9	2.9	-3.3	**13.3**	**9.2**	**5.6**	*-3.3*	*6.4*	*1.7*
United States	2.3	-3.0	2.5	-3.2	0.4	-0.2	**6.6**	**2.0**	**1.4**	*0.0*	*3.5*	*-0.5*

Table 21: Terms of trade of goods (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-0.8	0.5	-1.4	1.8	0.1	-0.8	**-1.1**	**0.2**	**0.4**	*-2.1*	*-0.9*	*0.3*
Bulgaria	0.3	0.9	1.9	-2.4	-1.4	0.9	**1.4**	**-0.4**	**0.2**	*0.7*	*-2.5*	*-0.8*
Germany	-0.4	1.5	-1.2	5.3	1.7	0.9	**-1.4**	**-0.3**	**1.8**	*0.9*	*-1.6*	*0.3*
Estonia	-0.6	0.3	0.6	4.0	0.6	1.0	**-2.6**	**-1.2**	**-0.4**	*1.0*	*-1.8*	*-0.1*
Ireland	0.2	0.0	-3.1	-0.6	-0.4	-3.6	**-1.3**	**0.1**	**0.3**	*-2.3*	*-2.4*	*-0.2*
Greece	-0.4	0.7	-0.3	3.5	0.8	-1.9	**4.4**	**0.9**	**-2.1**	*-3.6*	*-0.7*	*0.5*
Spain	-1.0	0.3	-0.6	6.9	1.1	1.4	**-0.3**	**0.4**	**0.7**	*1.5*	*-1.2*	*-0.4*
France	-0.6	1.4	-1.1	1.1	-0.5	0.8	**-1.0**	**-1.9**	**1.5**	*2.9*	*-1.6*	*0.5*
Croatia	0.6	-1.1	-1.6	1.8	0.2	-1.3	**-0.9**	**-0.8**	**0.1**	*-1.3*	*-1.6*	*0.6*
Italy	-1.3	2.0	-2.7	10.9	2.3	1.4	**-3.5**	**-0.9**	**1.1**	*1.6*	*-1.8*	*0.8*
Cyprus	-0.4	2.3	-1.0	0.4	-0.1	0.6	**-1.2**	**0.4**	**0.6**	*1.0*	*-1.6*	*0.6*
Latvia	-0.5	1.4	0.9	1.8	1.0	0.8	**-3.4**	**0.8**	**1.2**	*0.8*	*-1.9*	*-0.6*
Lithuania	-0.4	1.0	-3.4	5.1	2.9	1.5	**0.1**	**0.5**	**0.3**	*1.5*	*-3.0*	*1.1*
Luxembourg	0.4	0.9	-0.9	0.7	-1.9	1.4	**-2.0**	**1.2**	**0.8**	*2.1*	*-0.2*	*1.2*
Malta	-0.1	1.0	0.1	1.3	0.6	0.3	**0.0**	**0.0**	**0.2**	*0.0*	*-0.1*	*0.0*
Netherlands	-0.7	0.7	-0.8	1.8	2.3	1.2	**-0.8**	**0.1**	**0.5**	*1.0*	*0.2*	*-0.1*
Austria	-0.8	0.4	-1.6	0.0	1.9	0.6	**-1.1**	**0.6**	**0.9**	*1.3*	*-1.3*	*1.7*
Portugal	0.0	1.0	-0.3	3.3	2.1	0.2	**-1.0**	**0.7**	**0.4**	*0.2*	*-0.7*	*0.4*
Slovakia	-1.4	-0.3	-1.4	0.5	2.1	0.5	**0.1**	**-0.4**	**-0.1**	*0.4*	*-0.8*	*-0.3*
Slovenia	-1.1	0.7	-0.8	4.0	0.9	1.5	**-1.1**	**0.2**	**0.2**	*0.9*	*-0.5*	*0.4*
Finland	-1.0	1.0	0.8	-1.1	-2.7	1.8	**0.1**	**0.0**	**0.0**	*0.8*	*-0.5*	*0.2*
Euro area (21)	-0.8	1.2	-1.5	4.1	1.2	0.5	**-1.4**	**-0.5**	**0.9**	*0.7*	*-1.2*	*0.3*
Czechia	-0.9	0.7	-0.4	3.3	1.6	0.6	**-1.9**	**1.3**	**0.6**	*0.6*	*-1.8*	*1.2*
Denmark	0.3	1.0	-1.9	4.8	3.2	-1.9	**-8.5**	**-2.3**	**0.3**	*0.1*	*-3.7*	*0.2*
Hungary	-0.6	0.7	-1.8	6.1	-1.0	1.2	**1.1**	**-0.3**	**0.4**	*2.9*	*-1.7*	*0.8*
Poland	-0.4	1.6	-0.5	1.7	-0.9	-1.6	**-2.2**	**-0.2**	**1.2**	*-1.8*	*-1.2*	*0.0*
Romania	-0.1	-0.3	1.1	1.3	2.3	0.7	**1.0**	**0.6**	**1.4**	*0.7*	*0.0*	*0.5*
Sweden	0.1	0.7	-0.5	0.5	0.7	-0.6	**-2.9**	**-0.6**	**-0.4**	*-0.8*	*-0.9*	*0.2*
EU	-0.7	1.1	-1.4	3.8	1.1	0.3	**-1.6**	**-0.4**	**0.9**	*0.5*	*-1.3*	*0.3*
United Kingdom	0.5	0.2	0.0	-0.9	2.6	-0.3	**-0.9**	**0.9**	**1.7**	*-0.9*	*-1.4*	*0.3*
Japan	-3.3	2.1	-4.3	7.4	4.1	3.4	**0.2**	**0.8**	**1.2**	*3.4*	*-1.8*	*1.6*
United States	-0.4	1.0	2.0	-0.9	-0.8	1.1	**1.6**	**0.7**	**-0.2**	*0.8*	*1.3*	*-0.2*

Table 22: Total population (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.9	0.5	0.5	0.9	0.6	0.4	**0.4**	**0.3**	**0.3**	*0.5*	*0.4*	*0.4*
Bulgaria	-1.1	-1.3	-1.0	-0.3	-0.1	-0.2	**-0.4**	**-0.4**	**-0.4**	*-0.3*	*-0.2*	*-0.3*
Germany	-0.2	0.4	0.1	0.9	0.3	0.0	**-0.2**	**-0.2**	**-0.2**	*0.0*	*-0.1*	*-0.1*
Estonia	-0.3	-0.1	0.2	2.6	0.6	-0.3	**-0.4**	**0.1**	**0.0**	*-0.3*	*0.2*	*0.1*
Ireland	0.9	1.0	1.5	1.8	1.7	1.6	**1.2**	**1.1**	**1.1**	*1.6*	*1.2*	*1.1*
Greece	0.0	-0.6	-0.5	-0.4	-0.1	0.0	**0.1**	**0.0**	**0.0**	*0.1*	*0.0*	*-0.1*
Spain	0.7	-0.1	0.5	1.2	1.1	1.0	**0.9**	**0.8**	**0.8**	*0.9*	*0.9*	*0.9*
France	0.5	0.4	0.4	0.4	0.3	0.3	**0.3**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
Croatia	-0.3	-1.1	-0.9	0.1	0.3	0.3	**0.3**	**0.1**	**-0.1**	*0.3*	*0.1*	*-0.1*
Italy	0.5	-0.1	-0.3	0.0	0.0	0.0	**0.0**	**-0.1**	**-0.1**	*0.0*	*0.0*	*-0.1*
Cyprus	2.4	0.3	1.4	1.9	1.8	1.6	**1.2**	**1.0**	**1.0**	*1.6*	*1.3*	*1.0*
Latvia	-1.6	-0.9	-0.6	0.2	-1.0	-0.9	**-1.0**	**-0.8**	**-0.8**	*-1.4*	*-1.2*	*-0.8*
Lithuania	-1.5	-1.0	-0.1	1.4	0.6	0.0	**-0.1**	**-0.1**	**-0.1**	*0.0*	*-0.3*	*-0.2*
Luxembourg	2.0	2.4	1.9	1.9	1.6	1.3	**1.3**	**1.3**	**1.4**	*1.3*	*1.3*	*1.4*
Malta	0.6	2.2	2.6	4.1	2.8	2.2	**2.2**	**2.1**	**2.1**	*2.4*	*2.4*	*2.3*
Netherlands	0.5	0.4	0.7	1.0	0.7	0.5	**0.4**	**0.4**	**0.4**	*0.5*	*0.5*	*0.4*
Austria	0.3	0.9	0.6	0.9	0.5	0.3	**0.1**	**0.2**	**0.2**	*0.3*	*0.2*	*0.2*
Portugal	0.0	-0.4	0.2	1.0	1.1	1.0	**0.8**	**0.6**	**0.6**	*1.0*	*0.6*	*0.6*
Slovakia	0.0	0.1	0.1	0.0	0.0	-0.2	**-0.2**	**-0.3**	**-0.3**	*0.0*	*-0.1*	*-0.1*
Slovenia	0.4	0.1	0.4	0.5	0.3	0.2	**0.2**	**0.1**	**0.1**	*0.2*	*0.2*	*0.1*
Finland	0.5	0.3	0.2	0.4	0.8	0.5	**0.2**	**0.2**	**0.2**	*0.4*	*0.2*	*0.2*
Euro area (21)	0.3	0.2	0.2	0.6	0.4	0.3	**0.2**	**0.2**	**0.1**	*0.3*	*0.2*	*0.2*
Czechia	0.4	0.0	0.4	1.1	0.1	0.0	**0.0**	**-0.2**	**-0.1**	*0.0*	*0.2*	*0.1*
Denmark	0.5	0.6	0.5	0.7	0.5	0.5	**0.3**	**0.3**	**0.3**	*0.5*	*0.3*	*0.3*
Hungary	-0.3	-0.4	-0.3	-0.1	-0.3	-0.5	**-0.6**	**-0.6**	**-0.6**	*-0.5*	*-0.2*	*-0.2*
Poland	0.0	-0.1	-0.1	-0.4	-0.3	-0.4	**-0.4**	**-0.3**	**-0.3**	*-0.4*	*-0.2*	*-0.2*
Romania	-0.8	-0.5	-0.6	0.1	0.0	-0.1	**-0.1**	**-0.1**	**-0.1**	*-0.1*	*0.0*	*0.0*
Sweden	0.8	1.1	0.9	0.7	0.3	0.4	**0.2**	**0.0**	**0.0**	*0.4*	*0.2*	*0.1*
EU	0.2	0.1	0.2	0.5	0.3	0.2	**0.1**	**0.1**	**0.1**	*0.2*	*0.2*	*0.1*
United Kingdom	0.8	0.7	0.5	1.3	1.0	0.3	**0.7**	**0.7**	**0.7**	*0.3*	*0.7*	*0.7*
Japan	-0.1	-0.1	-0.3	-0.6	-0.2	-0.5	**-0.5**	**-0.5**	**-0.5**	*-0.5*	*-0.5*	*-0.5*
United States	0.8	0.8	0.5	0.8	0.9	0.5	**0.2**	**0.2**	**0.2**	*0.5*	*0.2*	*0.2*

Table 23: Total employment in persons (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.8	0.7	1.3	0.8	0.2	0.4	**0.3**	**0.5**	**0.8**	*0.4*	*0.6*	*0.7*
Bulgaria	-1.6	0.5	-0.5	1.1	1.1	2.2	**0.1**	**-0.2**	**-0.2**	*2.2*	*0.3*	*0.2*
Germany	0.9	1.0	0.6	0.6	0.1	-0.2	**-0.5**	**-0.2**	**-0.1**	*0.0*	*-0.1*	*0.1*
Estonia	-1.4	1.6	0.8	3.2	0.2	-0.5	**0.0**	**0.1**	**0.1**	*-0.5*	*0.0*	*0.3*
Ireland	-3.3	3.2	3.5	3.5	2.7	2.0	**0.9**	**1.8**	**1.4**	*2.0*	*1.6*	*1.4*
Greece	-2.1	0.6	2.6	2.1	1.4	1.3	**0.5**	**0.4**	**0.3**	*0.8*	*0.8*	*0.4*
Spain	-3.0	1.3	1.4	3.1	3.0	2.6	**2.3**	**1.8**	**1.6**	*2.7*	*2.3*	*1.4*
France	0.1	0.6	1.4	1.0	0.7	0.2	**0.0**	**-0.2**	**0.3**	*0.1*	*-0.1*	*0.1*
Croatia	-1.9	0.0	0.7	1.9	4.6	0.7	**0.9**	**0.6**	**0.6**	*1.5*	*1.0*	*0.7*
Italy	-0.4	0.3	0.5	2.1	1.7	1.1	**0.9**	**0.4**	**0.4**	*1.1*	*0.2*	*0.2*
Cyprus	0.2	0.8	3.5	2.9	2.3	1.7	**1.7**	**0.8**	**1.1**	*1.7*	*1.3*	*1.1*
Latvia	-3.8	0.4	0.5	1.8	-0.8	0.2	**0.1**	**-0.1**	**-0.2**	*-0.5*	*-0.4*	*-0.3*
Lithuania	-2.4	1.3	1.3	1.4	1.5	-0.7	**0.0**	**-0.2**	**-0.2**	*-0.7*	*-0.2*	*-0.2*
Luxembourg	2.6	2.7	3.0	1.9	1.0	1.1	**1.6**	**1.8**	**1.9**	*1.2*	*1.3*	*1.5*
Malta	1.5	4.6	4.8	7.0	4.9	3.9	**4.2**	**3.2**	**3.2**	*3.9*	*3.2*	*3.1*
Netherlands	0.1	0.7	1.9	1.8	1.0	0.8	**0.1**	**0.2**	**0.3**	*0.5*	*0.1*	*0.2*
Austria	0.9	1.0	1.2	0.9	0.1	0.0	**-0.1**	**0.6**	**0.7**	*0.0*	*0.3*	*0.6*
Portugal	-1.9	1.1	1.3	2.0	0.8	2.3	**1.5**	**1.1**	**0.9**	*2.3*	*1.1*	*0.9*
Slovakia	0.3	1.4	0.5	0.3	-0.2	-0.1	**-0.4**	**-0.2**	**-0.3**	*-0.1*	*-0.5*	*-0.2*
Slovenia	-0.8	1.1	1.8	1.5	0.4	-0.1	**0.2**	**0.0**	**0.0**	*-0.4*	*0.0*	*0.0*
Finland	0.2	0.0	1.5	1.0	-0.8	-0.6	**-0.4**	**0.6**	**0.9**	*-0.5*	*0.2*	*0.5*
Euro area (21)	-0.4	0.8	1.1	1.5	1.0	0.7	**0.4**	**0.4**	**0.4**	*0.7*	*0.4*	*0.4*
Czechia	-0.1	0.9	0.1	1.6	0.6	1.3	**1.3**	**0.3**	**0.1**	*1.1*	*0.1*	*0.0*
Denmark	-1.0	1.1	1.6	1.1	0.7	1.2	**0.5**	**0.4**	**0.3**	*1.2*	*0.2*	*0.5*
Hungary	-0.8	2.7	1.0	0.6	-0.1	0.1	**0.4**	**0.3**	**0.3**	*0.4*	*-0.1*	*0.1*
Poland	0.4	1.1	1.4	0.1	-0.6	0.1	**0.0**	**0.1**	**0.0**	*0.1*	*0.2*	*0.1*
Romania	-1.8	0.0	-0.1	-1.2	1.9	-3.8	**-0.9**	**0.5**	**0.7**	*-3.5*	*-0.4*	*0.5*
Sweden	0.4	1.7	1.2	1.2	-0.3	-0.1	**0.5**	**0.5**	**0.6**	*-0.1*	*0.6*	*0.9*
EU	-0.4	0.9	1.0	1.2	0.9	0.5	**0.4**	**0.3**	**0.4**	*0.5*	*0.3*	*0.4*
United Kingdom	0.2	1.5	0.6	1.2	0.8	1.6	**0.2**	**0.1**	**0.3**	*1.6*	*-0.1*	*0.3*
Japan	-0.5	0.5	0.6	0.5	0.6	0.7	**0.2**	**0.2**	**0.2**	*0.7*	*0.2*	*0.2*
United States	-0.6	1.6	0.8	1.8	1.3	0.3	**0.2**	**0.2**	**0.2**	*0.1*	*0.2*	*0.3*

Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	7.7	8.2	5.8	5.5	5.7	6.2	**6.4**	**6.5**	**6.3**	6.2	6.6	6.5
Bulgaria	10.3	10.4	5.4	4.3	4.2	3.5	**3.4**	**3.5**	**3.5**	3.5	3.7	3.9
Germany	6.3	4.3	3.3	3.1	3.5	3.8	**4.0**	**4.0**	**4.0**	3.8	4.0	3.9
Estonia	11.6	7.0	5.7	6.4	7.6	7.5	**7.1**	**6.9**	**6.8**	7.5	7.1	6.8
Ireland	13.0	10.1	5.5	4.3	4.3	4.7	**5.0**	**5.0**	**5.1**	4.7	4.8	4.9
Greece	14.7	25.0	16.5	11.1	10.1	8.9	**8.4**	**8.0**	**7.7**	8.9	8.3	7.9
Spain	19.1	21.9	14.6	12.2	11.4	10.5	**9.9**	**9.6**	**9.4**	10.5	9.9	9.6
France	9.0	10.1	8.2	7.4	7.4	7.7	**8.4**	**9.2**	**9.8**	7.7	8.3	8.7
Croatia	11.8	15.0	7.3	6.1	5.0	4.9	**4.7**	**4.6**	**4.6**	4.9	4.8	4.8
Italy	8.5	12.1	9.5	7.7	6.5	6.1	**5.9**	**5.8**	**5.8**	6.1	5.7	5.7
Cyprus	7.0	14.2	7.3	5.8	4.8	4.4	**3.8**	**3.8**	**3.7**	4.4	4.2	4.2
Latvia	15.3	10.2	7.3	6.5	6.9	6.9	**6.9**	**6.8**	**6.7**	6.9	6.8	6.7
Lithuania	13.2	9.3	6.8	6.9	7.1	6.9	**6.7**	**6.7**	**6.7**	6.9	6.7	6.7
Luxembourg	4.9	6.1	5.6	5.2	6.4	6.5	**6.9**	**6.7**	**6.3**	6.5	6.6	6.5
Malta	6.5	5.2	4.1	3.5	3.2	3.1	**3.1**	**3.1**	**3.1**	3.1	3.0	3.1
Netherlands	5.8	7.5	4.4	3.6	3.7	3.9	**4.0**	**4.1**	**4.2**	3.9	4.2	4.4
Austria	5.1	6.0	5.4	5.1	5.2	5.7	**6.1**	**5.8**	**5.5**	5.7	5.8	5.6
Portugal	12.6	13.1	6.8	6.5	6.5	6.0	**5.8**	**5.7**	**5.6**	6.0	5.9	5.8
Slovakia	12.6	11.3	6.4	5.8	5.3	5.4	**5.7**	**5.7**	**5.7**	5.4	5.7	5.7
Slovenia	6.9	8.7	4.7	3.7	3.7	3.9	**3.8**	**3.8**	**3.8**	3.9	3.8	3.8
Finland	7.9	8.8	7.3	7.2	8.4	9.7	**10.6**	**10.2**	**9.4**	9.7	10.1	9.8
Euro area (21)	8.6	10.8	7.6	6.6	6.4	6.4	**6.4**	**6.5**	**6.6**	6.3	6.4	6.4
Czechia	6.4	5.0	2.4	2.6	2.6	2.8	**3.1**	**3.2**	**3.3**	2.8	3.1	3.2
Denmark	6.7	6.5	5.1	5.1	6.2	6.4	**7.0**	**7.0**	**7.1**	6.4	6.5	6.5
Hungary	9.9	6.6	3.7	4.1	4.5	4.4	**4.6**	**4.3**	**4.0**	4.4	4.5	4.4
Poland	9.3	7.8	3.3	2.8	2.9	3.1	**3.1**	**3.1**	**3.0**	3.1	3.1	3.0
Romania	8.5	7.9	5.5	5.6	5.4	6.1	**6.7**	**6.4**	**5.8**	6.1	6.3	5.9
Sweden	7.9	7.5	7.7	7.7	8.4	8.8	**8.6**	**8.2**	**7.7**	8.8	8.5	7.9
EU	9.6	10.1	6.9	6.1	6.0	6.0	**6.1**	**6.2**	**6.1**	6.0	6.0	6.0
United Kingdom	7.5	5.7	4.2	4.0	4.3	4.8	**5.0**	**5.0**	**4.9**	4.8	5.2	5.0
Japan	4.6	3.4	2.6	2.6	2.5	2.5	**2.5**	**2.5**	**2.5**	2.5	2.5	2.5
United States	8.3	5.6	4.9	3.6	4.0	4.3	**4.2**	**4.1**	**4.1**	4.3	4.5	4.4

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: Compensation of employees per head (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	2.5	1.2	3.0	7.5	3.3	3.4	**2.6**	**3.0**	**2.2**	3.3	2.4	2.2
Bulgaria	9.8	7.2	9.8	13.4	14.1	5.8	**6.2**	**5.5**	**5.0**	10.4	5.7	4.3
Germany	2.2	2.6	2.8	6.3	5.2	4.8	**4.2**	**4.1**	**3.8**	5.0	3.6	3.5
Estonia	3.3	5.8	7.7	8.6	6.6	5.1	**5.6**	**4.6**	**4.3**	4.4	4.9	4.9
Ireland	1.5	1.4	3.7	4.1	6.7	2.6	**4.7**	**3.7**	**3.6**	3.4	3.8	3.9
Greece	-0.5	-3.2	-0.1	3.5	5.8	4.2	**3.8**	**3.4**	**2.8**	3.5	3.6	4.0
Spain	2.2	0.4	3.1	5.1	3.7	4.4	**3.6**	**3.4**	**2.7**	4.3	3.4	2.9
France	2.3	1.5	1.5	4.5	3.1	2.2	**2.4**	**3.1**	**3.0**	2.2	2.3	2.9
Croatia	2.0	-0.1	5.6	13.5	11.6	9.6	**7.7**	**5.7**	**4.8**	10.9	7.0	5.2
Italy	1.1	0.6	1.8	2.7	3.3	3.0	**2.7**	**2.8**	**2.9**	3.0	2.7	2.7
Cyprus	2.8	-2.0	3.9	9.4	6.2	5.1	**3.8**	**5.1**	**3.5**	4.2	4.0	5.0
Latvia	1.5	7.2	7.2	5.8	6.7	5.6	**6.1**	**6.1**	**6.1**	8.4	7.0	5.8
Lithuania	2.6	6.3	9.7	12.0	7.9	10.0	**8.5**	**6.9**	**6.3**	10.0	7.4	6.2
Luxembourg	2.2	2.1	3.2	7.5	1.8	4.6	**3.1**	**2.7**	**2.1**	4.4	3.4	2.5
Malta	3.7	3.7	4.8	2.6	8.0	4.3	**3.9**	**3.0**	**3.2**	4.2	3.5	2.1
Netherlands	2.2	1.2	3.2	5.9	6.6	4.9	**4.0**	**3.8**	**3.2**	4.7	3.8	3.6
Austria	2.1	2.0	3.0	6.9	7.3	3.9	**2.3**	**2.9**	**2.4**	3.8	2.5	2.7
Portugal	0.5	1.0	4.6	9.4	8.3	4.8	**4.7**	**3.8**	**3.4**	4.8	4.4	3.7
Slovakia	3.9	3.1	5.9	10.4	7.7	6.5	**4.2**	**4.8**	**4.5**	6.2	4.1	4.2
Slovenia	2.7	1.9	5.2	9.6	6.1	7.3	**7.4**	**5.7**	**5.2**	7.9	6.5	5.6
Finland	3.1	0.8	2.0	3.3	1.7	3.5	**3.2**	**2.5**	**2.6**	2.6	2.7	2.9
Euro area (21)	2.2	1.5	2.6	5.4	4.5	3.8	**3.5**	**3.5**	**3.2**	3.9	3.2	3.2
Czechia	2.4	3.6	6.6	7.0	5.6	5.5	**4.9**	**4.5**	**4.0**	6.5	5.4	4.9
Denmark	2.6	1.5	2.4	3.7	4.5	3.3	**2.6**	**3.4**	**3.5**	3.3	3.3	3.2
Hungary	2.7	2.5	8.9	15.1	12.9	8.7	**10.2**	**6.8**	**6.1**	9.0	9.3	5.9
Poland	6.0	3.3	7.0	14.4	13.0	7.9	**6.7**	**6.4**	**6.3**	8.0	6.7	6.0
Romania	7.8	8.5	9.5	20.3	8.1	8.7	**5.2**	**6.3**	**5.1**	8.2	4.9	6.2
Sweden	3.1	2.2	3.2	5.3	4.9	1.2	**3.5**	**3.6**	**3.8**	1.7	3.4	3.7
EU	2.4	1.6	3.0	6.1	5.0	4.1	**3.7**	**3.7**	**3.5**	4.2	3.5	3.5
United Kingdom	1.6	2.1	3.4	6.1	5.0	5.6	**2.8**	**2.9**	**2.7**	5.7	2.9	2.7
Japan	-1.1	0.5	1.0	1.0	2.8	2.8	**2.7**	**2.6**	**2.6**	2.8	2.7	2.6
United States	2.2	2.3	4.4	3.8	4.4	3.9	**3.8**	**3.4**	**3.3**	4.7	3.7	3.4

Note: See note 6 on concepts and sources.

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.7	0.0	-0.5	1.4	1.7	0.9	**-0.6**	**0.4**	**0.0**	*1.0*	*-0.7*	*0.0*
Bulgaria	6.6	5.5	3.7	4.9	8.7	1.5	**0.4**	**0.8**	**1.1**	*5.3*	*2.7*	*1.6*
Germany	0.7	1.5	0.1	-0.3	2.8	2.3	**1.1**	**0.7**	**1.7**	*2.4*	*0.7*	*0.5*
Estonia	-0.7	3.7	2.6	0.3	3.2	1.9	**2.4**	**1.0**	**1.9**	*1.3*	*0.5*	*2.0*
Ireland	2.4	0.4	1.1	-3.4	3.5	0.9	**1.0**	**0.3**	**1.1**	*1.8*	*0.2*	*1.1*
Greece	-2.8	-2.1	-1.3	-0.3	3.3	0.8	**0.2**	**0.6**	**0.7**	*0.1*	*0.1*	*1.8*
Spain	0.4	-0.2	0.8	0.0	0.5	1.9	**-0.1**	**0.3**	**0.4**	*1.5*	*0.1*	*0.2*
France	1.2	1.1	-0.4	-2.3	0.8	1.3	**0.1**	**0.3**	**1.0**	*1.5*	*-0.2*	*1.2*
Croatia	-1.0	-0.3	2.3	4.4	7.7	5.2	**3.3**	**2.7**	**2.3**	*7.0*	*2.7*	*2.8*
Italy	-0.9	-0.1	-0.3	-2.2	1.5	1.5	**-0.5**	**-0.2**	**1.1**	*1.5*	*-0.2*	*0.6*
Cyprus	0.1	-1.1	2.0	6.0	4.3	4.8	**0.0**	**2.7**	**1.6**	*3.8*	*0.7*	*2.9*
Latvia	-2.5	6.2	2.5	-1.6	4.6	2.0	**2.7**	**2.3**	**3.1**	*4.6*	*3.3*	*3.6*
Lithuania	-2.1	5.3	4.2	3.0	6.5	6.1	**3.0**	**3.4**	**3.4**	*6.2*	*2.9*	*3.4*
Luxembourg	0.4	0.9	0.9	2.7	-0.8	2.1	**-0.3**	**0.0**	**0.3**	*2.2*	*0.3*	*0.5*
Malta	1.0	2.7	2.7	-8.1	4.1	4.8	**1.3**	**-0.1**	**0.4**	*2.1*	*0.9*	*-0.2*
Netherlands	0.9	0.1	-0.5	-0.9	3.8	2.2	**1.3**	**1.3**	**1.1**	*2.1*	*0.7*	*1.1*
Austria	0.2	0.2	0.2	-1.0	3.7	1.2	**-0.8**	**0.0**	**0.4**	*1.0*	*-0.6*	*0.2*
Portugal	-0.7	0.1	2.1	4.4	5.1	2.2	**1.7**	**0.9**	**1.3**	*2.2*	*1.4*	*1.4*
Slovakia	1.3	2.7	1.6	0.3	4.6	2.0	**0.3**	**1.6**	**1.2**	*2.0*	*-0.1*	*1.2*
Slovenia	0.4	1.6	2.0	2.0	4.0	5.4	**3.9**	**3.3**	**2.8**	*6.1*	*3.0*	*3.0*
Finland	0.5	-0.3	-0.2	-1.0	0.5	2.2	**0.7**	**0.2**	**0.9**	*1.4*	*0.3*	*1.0*
Euro area (21)	0.7	0.8	0.1	-0.8	2.0	1.8	**0.4**	**0.5**	**1.1**	*1.8*	*0.2*	*0.8*
Czechia	0.2	2.3	1.2	-1.5	2.3	2.4	**1.8**	**1.9**	**2.0**	*3.4*	*1.7*	*2.2*
Denmark	0.3	1.0	0.2	0.4	2.9	0.7	**1.0**	**0.7**	**1.0**	*0.9*	*1.5*	*1.4*
Hungary	-1.7	1.0	2.4	1.0	6.9	2.2	**7.5**	**3.2**	**3.0**	*3.2*	*4.8*	*2.6*
Poland	2.5	3.1	1.6	4.5	9.3	4.4	**3.3**	**2.4**	**2.6**	*4.0*	*3.2*	*3.3*
Romania	1.4	7.0	4.4	11.4	2.6	1.0	**-3.2**	**1.2**	**0.7**	*0.6*	*-2.5*	*2.1*
Sweden	1.4	1.2	0.4	-1.3	1.9	-1.4	**1.7**	**0.8**	**1.6**	*-1.0*	*1.9*	*1.8*
EU	0.7	0.8	0.2	-0.4	2.3	1.7	**0.6**	**0.6**	**1.2**	*1.8*	*0.4*	*1.0*
United Kingdom	-0.6	0.9	0.3	-0.7	1.9	2.3	**-0.2**	**0.1**	**0.4**	*2.1*	*0.2*	*0.4*
Japan	-0.2	0.0	-0.3	-2.3	0.2	-0.2	**-0.1**	**0.8**	**0.8**	*-0.1*	*1.0*	*0.8*
United States	0.4	1.0	1.3	-0.1	1.7	1.3	**0.4**	**1.2**	**1.4**	*2.0*	*0.3*	*1.2*

[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, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-0.1	0.5	0.6	0.8	0.7	0.5	**0.4**	**0.3**	**0.4**	*0.6*	*0.0*	*0.2*
Bulgaria	3.0	1.4	3.0	0.9	2.2	0.8	**2.6**	**2.3**	**2.6**	*0.9*	*2.2*	*2.0*
Germany	-0.2	0.9	0.2	-1.6	-0.1	0.4	**1.8**	**1.2**	**0.9**	*0.3*	*0.7*	*0.8*
Estonia	0.1	1.5	1.8	-6.0	-0.1	1.8	**2.2**	**2.0**	**2.2**	*1.1*	*1.6*	*1.5*
Ireland	2.0	5.8	5.2	-6.5	0.9	5.9	**-1.3**	**2.0**	**2.2**	*10.1*	*-2.8*	*2.0*
Greece	-3.6	-0.6	-0.8	0.0	0.7	0.8	**1.3**	**1.1**	**1.2**	*1.2*	*1.0*	*1.2*
Spain	1.7	0.7	-0.2	-0.7	0.6	0.0	**0.2**	**0.3**	**0.3**	*0.1*	*0.1*	*0.5*
France	0.3	0.6	-0.3	0.6	0.8	0.7	**0.4**	**0.8**	**1.1**	*0.7*	*0.9*	*1.1*
Croatia	0.2	1.6	2.7	1.9	-0.7	2.8	**1.2**	**1.7**	**1.7**	*1.9*	*1.6*	*1.7*
Italy	-1.1	0.2	0.7	-1.0	-0.6	-0.5	**0.0**	**0.3**	**0.4**	*-0.5*	*0.4*	*0.4*
Cyprus	0.0	0.6	2.2	3.0	4.2	3.1	**1.6**	**2.2**	**2.0**	*2.1*	*0.9*	*1.7*
Latvia	1.1	2.4	1.5	-2.7	1.3	2.0	**2.5**	**1.9**	**2.3**	*2.7*	*1.9*	*1.9*
Lithuania	2.0	2.3	2.0	1.5	1.5	3.7	**2.7**	**2.4**	**2.5**	*3.7*	*3.1*	*2.3*
Luxembourg	-2.0	0.2	-1.1	-1.8	1.0	0.3	**-0.3**	**0.0**	**0.0**	*-0.5*	*0.4*	*0.5*
Malta	1.3	3.3	0.1	0.1	0.4	0.7	**-0.2**	**0.3**	**0.6**	*0.0*	*0.5*	*0.5*
Netherlands	0.0	1.1	0.5	-2.4	0.1	0.8	**1.6**	**1.3**	**1.2**	*1.3*	*0.8*	*0.9*
Austria	-0.3	0.2	0.4	-1.6	-0.4	0.7	**1.0**	**0.6**	**0.4**	*0.6*	*0.3*	*0.3*
Portugal	0.6	0.3	0.6	1.1	1.9	-0.4	**0.8**	**0.8**	**1.2**	*-0.4*	*0.6*	*0.9*
Slovakia	1.8	1.2	1.5	2.2	2.8	1.0	**1.2**	**1.8**	**1.9**	*0.9*	*1.3*	*1.8*
Slovenia	-0.4	1.4	1.1	1.1	1.6	1.6	**3.7**	**2.9**	**2.4**	*1.5*	*1.9*	*2.2*
Finland	-0.9	0.9	-0.8	-2.2	1.8	1.4	**2.1**	**1.0**	**0.6**	*0.7*	*0.6*	*0.9*
Euro area (21)	0.2	0.8	0.4	-1.1	0.2	0.5	**0.8**	**0.9**	**0.9**	*0.7*	*0.5*	*0.8*
Czechia	0.4	2.0	1.4	-1.5	0.7	1.3	**0.4**	**2.2**	**2.1**	*1.5*	*1.7*	*2.4*
Denmark	0.5	1.1	0.1	0.0	3.2	2.3	**4.0**	**1.6**	**1.9**	*1.7*	*1.7*	*1.2*
Hungary	-0.1	0.6	2.4	-1.3	0.7	0.6	**1.4**	**2.6**	**2.6**	*0.1*	*1.9*	*1.9*
Poland	2.9	2.3	2.7	0.2	3.9	3.8	**3.6**	**2.7**	**2.7**	*3.6*	*3.3*	*2.6*
Romania	3.0	3.7	3.4	3.8	-0.8	4.7	**0.6**	**1.3**	**1.4**	*4.3*	*0.6*	*1.9*
Sweden	0.2	0.7	0.6	-1.4	2.3	1.5	**2.3**	**1.7**	**0.9**	*1.7*	*1.2*	*1.3*
EU	0.3	0.9	0.6	-0.8	0.6	0.9	**1.1**	**1.1**	**1.1**	*1.0*	*0.7*	*1.0*
United Kingdom	-0.1	1.0	0.5	-0.7	0.3	-0.4	**1.2**	**1.1**	**1.1**	*-0.2*	*0.9*	*0.9*
Japan	0.1	0.9	-0.4	0.4	-0.5	0.5	**0.8**	**0.5**	**0.4**	*0.5*	*0.5*	*0.4*
United States	1.4	0.5	1.6	1.1	1.7	2.0	**2.1**	**1.9**	**1.8**	*2.0*	*2.0*	*1.7*

Note : See note 6 on concepts and sources.

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	2.6	0.7	2.4	6.7	2.6	2.9	**2.2**	**2.7**	**1.8**	2.6	2.4	1.9
Bulgaria	6.6	5.8	6.6	12.4	11.6	4.9	**3.5**	**3.1**	**2.3**	9.4	3.4	2.2
Germany	2.4	1.7	2.7	8.0	5.3	4.4	**2.4**	**2.9**	**3.0**	4.7	2.9	2.7
Estonia	3.3	4.2	5.8	15.5	6.7	3.3	**3.3**	**2.5**	**2.1**	3.3	3.3	3.4
Ireland	-0.5	-4.1	-1.4	11.4	5.7	-3.0	**6.1**	**1.6**	**1.4**	-6.1	6.8	1.9
Greece	3.3	-2.6	0.7	3.5	5.0	3.4	**2.4**	**2.3**	**1.6**	2.3	2.6	2.8
Spain	0.4	-0.3	3.3	5.9	3.0	4.4	**3.4**	**3.1**	**2.4**	4.2	3.2	2.4
France	2.0	0.9	1.9	3.9	2.3	1.6	**2.1**	**2.3**	**1.9**	1.4	1.4	1.8
Croatia	1.8	-1.6	2.8	11.4	12.4	6.6	**6.5**	**3.9**	**3.1**	8.9	5.3	3.4
Italy	2.1	0.4	1.1	3.8	3.9	3.5	**2.7**	**2.5**	**2.4**	3.5	2.4	2.3
Cyprus	2.8	-2.6	1.7	6.2	1.9	1.9	**2.1**	**2.9**	**1.4**	2.1	3.0	3.3
Latvia	0.4	4.7	5.6	8.7	5.4	3.5	**3.6**	**4.2**	**3.7**	5.5	5.0	3.9
Lithuania	0.7	3.9	7.5	10.3	6.4	6.0	**5.6**	**4.3**	**3.8**	6.1	4.1	3.8
Luxembourg	4.3	1.9	4.3	9.5	0.8	4.3	**3.3**	**2.7**	**2.0**	4.9	3.0	2.0
Malta	2.3	0.4	4.7	2.6	7.6	3.5	**4.2**	**2.7**	**2.6**	4.1	3.0	1.7
Netherlands	2.3	0.1	2.7	8.5	6.5	4.1	**2.3**	**2.5**	**1.9**	3.4	2.9	2.7
Austria	2.4	1.7	2.6	8.6	7.7	3.2	**1.4**	**2.3**	**1.9**	3.2	2.2	2.4
Portugal	-0.1	0.7	3.9	8.2	6.3	5.2	**3.9**	**2.9**	**2.1**	5.3	3.7	2.7
Slovakia	2.1	1.9	4.3	8.0	4.8	5.5	**2.9**	**2.9**	**2.6**	5.3	2.7	2.4
Slovenia	3.1	0.5	4.1	8.4	4.5	5.6	**3.6**	**2.7**	**2.7**	6.3	4.5	3.3
Finland	4.0	-0.1	2.9	5.6	-0.1	2.0	**1.1**	**1.5**	**2.0**	1.9	2.1	2.0
Euro area (21)	2.1	0.8	2.2	6.5	4.2	3.3	**2.6**	**2.6**	**2.3**	3.2	2.7	2.3
Czechia	2.0	1.6	5.1	8.6	4.9	4.2	**4.5**	**2.3**	**1.9**	4.9	3.6	2.4
Denmark	2.1	0.4	2.3	3.7	1.3	1.0	**-1.3**	**1.8**	**1.6**	1.6	1.6	2.0
Hungary	2.8	1.8	6.3	16.6	12.1	8.1	**8.7**	**4.2**	**3.4**	8.9	7.4	3.9
Poland	2.9	0.9	4.2	14.2	8.7	4.0	**3.0**	**3.7**	**3.5**	4.3	3.3	3.3
Romania	4.6	4.6	5.9	16.0	9.0	3.8	**4.5**	**4.9**	**3.6**	3.8	4.4	4.2
Sweden	2.9	1.6	2.6	6.8	2.5	-0.3	**1.2**	**1.8**	**2.9**	0.0	2.2	2.4
EU	2.1	0.8	2.4	6.9	4.4	3.2	**2.6**	**2.6**	**2.4**	3.1	2.7	2.4
United Kingdom	1.7	1.1	2.8	6.9	4.6	6.0	**1.6**	**1.8**	**1.6**	5.9	2.0	1.8
Japan	-1.2	-0.3	1.4	0.6	3.3	2.3	**1.9**	**2.1**	**2.1**	2.3	2.2	2.2
United States	0.8	1.7	2.8	2.7	2.7	1.9	**1.6**	**1.5**	**1.5**	2.6	1.7	1.6

[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, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.9	-0.7	-0.5	0.9	0.9	0.4	**0.0**	**0.1**	**-0.3**	0.1	0.1	-0.2
Bulgaria	2.5	3.2	-1.1	4.1	4.2	-2.3	**-3.8**	**-1.5**	**-1.8**	1.8	1.4	0.1
Germany	1.1	0.1	-0.2	0.8	2.1	1.4	**-0.3**	**-0.3**	**0.1**	1.7	0.4	-0.3
Estonia	-0.3	1.3	0.2	7.1	2.2	-0.4	**0.3**	**-0.5**	**-0.9**	-0.5	-0.3	0.2
Ireland	0.3	-6.3	-3.5	8.2	1.5	-2.4	**3.4**	**-1.3**	**-1.1**	-7.1	4.7	-0.1
Greece	1.6	-1.8	-0.7	-2.8	1.6	0.5	**-1.7**	**-0.6**	**-0.4**	-0.5	-0.3	0.2
Spain	-0.1	-0.8	1.1	-0.3	0.0	1.3	**0.4**	**0.0**	**0.0**	1.3	0.6	-0.1
France	0.9	0.2	0.0	-1.1	0.2	0.5	**0.3**	**0.3**	**-0.5**	0.2	-0.4	-0.1
Croatia	-0.7	-2.1	-0.2	-1.3	6.9	2.4	**1.9**	**0.9**	**0.3**	4.0	0.6	0.5
Italy	0.5	-0.4	-0.5	-2.2	1.7	1.6	**0.7**	**0.2**	**0.4**	1.5	0.4	0.3
Cyprus	0.7	-2.1	-0.3	0.8	-0.8	1.2	**-0.7**	**0.2**	**-1.0**	1.0	0.6	1.0
Latvia	-2.1	3.2	0.9	-1.8	1.7	-0.3	**0.0**	**0.4**	**0.5**	1.9	1.8	1.7
Lithuania	-2.5	2.6	1.8	-1.4	3.7	2.4	**0.4**	**0.4**	**0.3**	2.4	0.7	0.5
Luxembourg	0.5	0.3	0.5	2.4	-3.3	1.0	**-0.4**	**0.0**	**-0.1**	1.7	0.2	-0.3
Malta	-0.1	-2.1	2.2	-5.3	2.7	1.4	**1.6**	**-0.3**	**0.0**	1.9	0.7	-0.4
Netherlands	1.2	-0.8	-0.6	2.1	1.4	0.7	**-0.9**	**-0.6**	**-0.7**	0.1	-0.3	0.3
Austria	0.7	0.0	0.1	1.0	3.1	0.2	**-0.8**	**-0.4**	**-0.3**	0.0	0.1	-0.5
Portugal	-0.6	-0.9	1.3	0.6	1.4	1.2	**0.7**	**-0.2**	**-0.4**	1.3	0.9	0.1
Slovakia	1.0	1.7	1.0	-1.9	1.1	1.3	**-1.2**	**-0.1**	**-0.7**	1.0	-1.0	-0.4
Slovenia	1.3	-0.5	1.1	-1.3	1.3	1.6	**0.2**	**-0.3**	**-0.2**	2.8	0.9	0.4
Finland	1.9	-1.5	0.1	1.6	-0.4	0.8	**-1.4**	**-0.7**	**0.3**	0.4	-0.2	0.0
Euro area (21)	0.8	-0.3	-0.2	0.2	1.2	0.9	**0.1**	**-0.1**	**-0.2**	0.7	0.3	-0.1
Czechia	0.9	-0.1	0.4	0.0	0.9	0.6	**2.1**	**-0.9**	**-0.3**	1.3	1.0	-0.6
Denmark	-0.1	-0.3	-1.2	6.7	-2.0	0.0	**0.3**	**0.3**	**-0.5**	-0.1	0.3	-0.2
Hungary	-0.5	-1.1	-0.8	1.3	4.3	1.6	**4.6**	**0.7**	**-0.2**	2.5	3.3	0.8
Poland	0.0	0.2	-0.6	3.9	4.5	1.2	**0.6**	**0.4**	**-0.1**	1.4	0.2	0.4
Romania	-1.9	1.8	-0.6	3.2	-1.0	-4.2	**-3.8**	**-0.4**	**-1.2**	-4.1	-2.9	-0.5
Sweden	1.1	-0.2	-0.5	0.9	-0.3	-1.9	**-0.2**	**-0.6**	**0.9**	-1.2	1.0	0.6
EU	0.7	-0.4	-0.3	0.5	1.1	0.6	**0.1**	**-0.2**	**-0.2**	0.5	0.3	-0.1
United Kingdom	-0.3	-0.4	-0.3	0.6	0.7	2.4	**-1.0**	**-0.6**	**-0.6**	2.1	-0.6	-0.3
Japan	-0.1	-1.2	0.9	-3.8	0.1	-1.1	**-1.1**	**-0.2**	**-0.1**	-1.1	0.6	0.0
United States	-0.7	0.1	-0.6	-1.1	0.1	-0.7	**-1.9**	**-0.7**	**-0.2**	-0.2	-1.5	-0.4

[1] Nominal unit labour costs divided by GDP price deflator.

Note: See note 6 on concepts and sources.

Table 30: Nominal bilateral exchange rates against ecu/euro (2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area (21)	:	:	:	:	:	:	:	:	:	:	:	:
Czechia	25.2768	26.8268	25.5913	24.0011	25.1198	24.6879	**24.2982**	**24.3281**	**24.3281**	*24.6879*	*24.3412*	*24.3418*
Denmark	7.4488	7.4510	7.4500	7.4509	7.4589	7.4634	**7.4735**	**7.4746**	**7.4746**	*7.4634*	*7.4725*	*7.4731*
Hungary	274.8494	307.1832	348.1577	381.7764	395.3039	397.7675	**368.0389**	**365.4730**	**365.4730**	*397.7675*	*369.4185*	*364.1670*
Poland	4.0261	4.2368	4.4500	4.5402	4.3058	4.2397	**4.2991**	**4.3826**	**4.3826**	*4.2397*	*4.2395*	*4.2401*
Romania	4.1659	4.4733	4.8180	4.9467	4.9746	5.0424	**5.2207**	**5.3400**	**5.3400**	*5.0424*	*5.0945*	*5.0947*
Sweden	9.4974	9.2395	10.4197	11.4758	11.4325	11.0663	**10.9576**	**11.1163**	**11.1163**	*11.0663*	*10.7757*	*10.7988*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.8446	0.8151	0.8727	0.8697	0.8466	0.8568	**0.8576**	**0.8398**	**0.8398**	*0.8568*	*0.8687*	*0.8688*
Japan	121.7371	130.0458	128.3079	151.8171	163.8519	169.0435	**182.1750**	**176.6670**	**176.6670**	*169.0435*	*186.1299*	*187.0120*
United States	1.3731	1.1999	1.1351	1.0811	1.0824	1.1300	**1.1506**	**1.1200**	**1.1200**	*1.1300*	*1.1732*	*1.1745*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-0.2	0.8	0.5	2.9	1.0	1.6	**0.1**	**-0.8**	**0.0**	*1.6*	*0.5*	*-0.1*
Bulgaria	0.6	1.7	2.2	4.9	2.7	2.4	**1.3**	**-0.2**	**0.0**	*2.2*	*0.8*	*0.0*
Germany	-0.4	0.9	0.6	3.5	1.3	2.1	**0.1**	**-1.1**	**0.0**	*2.0*	*0.5*	*-0.1*
Estonia	0.0	2.3	0.8	4.3	1.2	0.8	**-0.2**	**-0.5**	**0.0**	*0.8*	*-0.1*	*-0.1*
Ireland	-0.3	0.1	-0.2	3.0	0.6	2.6	**0.5**	**-1.8**	**0.0**	*2.5*	*1.2*	*0.0*
Greece	0.2	1.8	1.9	5.0	2.3	2.2	**0.6**	**-0.7**	**0.0**	*2.4*	*1.0*	*0.0*
Spain	-0.1	0.8	0.7	2.8	1.4	1.7	**0.1**	**-0.8**	**0.0**	*1.8*	*0.4*	*-0.1*
France	-0.4	0.7	0.5	3.2	1.3	2.1	**0.2**	**-1.1**	**0.0**	*2.0*	*0.6*	*0.0*
Croatia	-0.5	1.7	0.9	3.9	1.8	1.0	**0.1**	**-0.4**	**0.0**	*1.1*	*0.1*	*-0.1*
Italy	-0.4	0.9	0.7	3.4	1.5	2.4	**0.3**	**-1.1**	**0.0**	*2.1*	*0.7*	*0.0*
Cyprus	-0.1	0.6	0.6	5.5	2.3	2.6	**-0.1**	**-1.7**	**0.0**	*2.5*	*0.4*	*-0.1*
Latvia	0.4	2.5	1.1	5.6	1.8	0.8	**-0.2**	**-0.6**	**0.0**	*0.8*	*-0.1*	*-0.1*
Lithuania	0.4	3.2	1.1	5.2	1.6	1.0	**0.0**	**-0.5**	**0.0**	*1.1*	*0.0*	*-0.1*
Luxembourg	-0.1	0.6	0.4	2.3	1.0	1.2	**0.0**	**-0.6**	**0.0**	*1.2*	*0.3*	*0.0*
Malta	-0.8	0.4	0.4	3.9	1.6	2.3	**0.4**	**-1.3**	**0.0**	*2.2*	*1.0*	*0.0*
Netherlands	-0.1	0.7	0.5	2.6	0.9	1.5	**0.0**	**-0.8**	**0.0**	*1.4*	*0.3*	*-0.1*
Austria	-0.3	0.8	0.4	2.3	0.9	1.4	**0.0**	**-0.7**	**0.0**	*1.3*	*0.3*	*-0.1*
Portugal	-0.2	0.5	0.5	2.2	1.0	1.2	**0.0**	**-0.6**	**0.0**	*1.4*	*0.4*	*0.0*
Slovakia	2.6	0.9	0.5	2.1	0.9	1.1	**0.0**	**-0.4**	**0.0**	*0.9*	*0.1*	*-0.1*
Slovenia	0.2	1.2	0.6	2.1	0.8	0.4	**0.0**	**-0.3**	**0.0**	*0.8*	*-0.1*	*-0.1*
Finland	-0.3	1.7	0.7	4.4	1.2	1.7	**-0.2**	**-1.1**	**0.0**	*1.7*	*0.3*	*-0.1*
Euro area (21)	-0.4	1.5	1.1	5.6	2.3	3.3	**0.3**	**-1.7**	**0.0**	*3.4*	*1.0*	*-0.1*
Czechia	2.3	0.0	2.1	4.7	-3.8	2.9	**1.8**	**-0.6**	**0.0**	*2.7*	*1.6*	*-0.1*
Denmark	-0.5	1.1	0.6	3.8	1.0	1.7	**-0.6**	**-1.2**	**0.0**	*1.6*	*0.0*	*-0.1*
Hungary	-2.6	-0.4	-3.9	5.2	-2.4	0.5	**8.5**	**0.3**	**0.0**	*0.5*	*8.0*	*1.4*
Poland	-1.5	0.9	-1.3	6.2	6.9	2.7	**-1.4**	**-2.5**	**0.0**	*2.6*	*0.1*	*-0.1*
Romania	-5.3	0.8	-0.3	3.2	1.2	0.2	**-3.0**	**-2.7**	**0.0**	*0.1*	*-0.6*	*-0.1*
Sweden	0.9	-0.9	-1.4	-3.9	1.4	5.2	**0.6**	**-2.7**	**0.0**	*5.1*	*2.8*	*-0.3*
EU	-0.8	1.7	0.9	7.1	3.2	4.6	**0.5**	**-2.5**	**0.0**	*4.6*	*1.7*	*-0.1*
United Kingdom	-4.1	-1.0	1.0	1.9	4.4	1.4	**0.1**	**0.6**	**0.0**	*1.2*	*-0.7*	*-0.1*
Japan	7.9	-4.0	-1.9	-4.5	-5.8	0.9	**-8.1**	**0.0**	**0.0**	*1.0*	*-8.4*	*-0.6*
United States	-0.2	4.8	1.8	0.5	2.3	0.1	**-2.8**	**1.1**	**0.0**	*0.1*	*-3.8*	*-0.2*

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, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	54.1	54.2	54.0	52.7	54.1	54.4	**54.7**	**54.8**	**54.6**	*54.2*	*54.4*	*54.4*
Bulgaria	36.1	38.2	39.5	38.6	39.0	42.1	**43.9**	**41.5**	**42.0**	*41.7*	*43.5*	*42.5*
Germany	46.2	44.6	47.8	47.7	49.0	50.1	**51.0**	**51.2**	**51.6**	*50.5*	*52.0*	*52.4*
Estonia	40.7	38.6	40.9	43.2	44.2	45.6	**46.9**	**45.9**	**45.9**	*45.4*	*46.9*	*46.1*
Ireland	48.5	31.5	23.9	22.4	22.4	22.3	**23.6**	**23.8**	**24.3**	*21.0*	*22.5*	*22.6*
Greece	54.5	53.8	53.1	49.5	47.8	47.8	**49.5**	**47.5**	**46.8**	*48.3*	*50.2*	*48.2*
Spain	45.7	43.6	46.1	45.5	45.4	45.3	**46.0**	**45.5**	**45.2**	*45.3*	*45.8*	*45.5*
France	57.0	57.9	58.3	56.8	57.0	57.3	**57.7**	**58.0**	**58.0**	*57.2*	*57.4*	*57.8*
Croatia	47.9	47.0	47.6	46.3	47.8	49.4	**50.6**	**50.4**	**50.0**	*50.1*	*50.6*	*50.4*
Italy	49.7	50.0	53.0	53.6	50.3	51.1	**51.3**	**51.8**	**51.1**	*51.2*	*51.3*	*51.2*
Cyprus	45.9	43.9	42.2	39.8	36.7	37.9	**37.9**	**36.7**	**36.1**	*40.2*	*40.5*	*40.0*
Latvia	43.6	39.7	42.9	43.3	44.7	45.3	**45.6**	**45.8**	**46.4**	*46.1*	*47.7*	*47.8*
Lithuania	40.5	34.8	36.9	36.9	39.3	41.1	**43.5**	**44.5**	**45.0**	*41.2*	*42.6*	*43.0*
Luxembourg	41.5	41.2	44.5	47.3	46.8	48.7	**49.7**	**50.1**	**50.6**	*49.1*	*49.4*	*50.2*
Malta	41.3	37.1	37.8	35.8	37.4	37.1	**37.6**	**39.2**	**39.2**	*37.0*	*36.6*	*36.6*
Netherlands	47.4	45.2	44.3	44.0	44.6	45.2	**46.1**	**46.2**	**46.8**	*44.9*	*46.0*	*46.2*
Austria	52.3	51.3	52.9	52.1	54.6	54.6	**54.5**	**54.2**	**54.1**	*55.2*	*55.4*	*55.0*
Portugal	49.3	48.1	45.2	42.0	42.2	42.3	**43.9**	**42.3**	**42.0**	*42.7*	*44.7*	*42.8*
Slovakia	40.3	41.6	42.5	48.1	46.8	47.3	**48.3**	**46.5**	**46.8**	*47.9*	*48.3*	*47.4*
Slovenia	49.5	49.9	47.4	46.4	46.4	48.9	**49.8**	**50.0**	**49.8**	*49.6*	*50.6*	*50.2*
Finland	53.1	55.7	53.9	56.1	57.9	57.5	**57.3**	**57.1**	**57.1**	*57.5*	*58.5*	*57.9*
Euro area (21)	49.8	48.7	49.8	49.2	49.2	49.7	**50.3**	**50.3**	**50.3**	*49.7*	*50.5*	*50.5*
Czechia	43.2	40.8	43.0	44.0	43.1	43.3	**43.8**	**43.5**	**43.5**	*43.2*	*43.2*	*42.4*
Denmark	55.5	53.6	49.7	47.5	46.5	47.2	**48.9**	**49.4**	**49.7**	*48.0*	*49.4*	*49.6*
Hungary	49.3	48.8	48.0	49.6	47.2	47.6	**51.4**	**48.4**	**47.3**	*47.3*	*48.7*	*47.4*
Poland	44.4	41.9	43.4	46.9	49.2	50.9	**51.8**	**51.3**	**51.5**	*50.9*	*51.8*	*50.9*
Romania	38.2	35.1	38.9	41.2	43.2	43.4	**42.8**	**41.5**	**41.2**	*43.3*	*42.9*	*41.9*
Sweden	51.2	51.1	50.8	50.2	50.0	49.3	**49.5**	**49.0**	**49.1**	*49.9*	*50.8*	*50.0*
EU	49.6	48.4	49.2	48.8	48.9	49.4	**50.1**	**50.0**	**50.0**	*49.5*	*50.3*	*50.1*
United Kingdom	45.6	41.8	44.6	46.0	45.6	45.7	**45.8**	**45.4**	**45.6**	*45.8*	*46.0*	*45.9*
Japan	38.8	38.5	40.9	39.1	38.6	38.4	**38.6**	**38.7**	**38.8**	*38.3*	*39.2*	*39.3*
United States	41.6	38.1	41.4	39.2	39.5	40.0	**40.7**	**40.2**	**40.3**	*39.8*	*39.7*	*39.6*

Table 33: Total revenue, general government (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	50.2	51.8	49.8	48.6	49.7	49.2	**49.5**	**49.3**	**48.9**	*49.0*	*49.2*	*49.0*
Bulgaria	34.2	37.0	38.1	36.6	36.0	38.1	**38.9**	**37.5**	**37.2**	*38.1*	*39.4*	*38.2*
Germany	44.5	45.4	46.6	45.5	46.2	47.2	**46.9**	**46.8**	**47.1**	*47.9*	*48.3*	*48.3*
Estonia	39.6	38.6	39.0	40.5	42.6	43.6	**42.6**	**42.1**	**42.0**	*43.4*	*42.3*	*41.3*
Ireland	33.5	28.9	23.1	23.8	26.5	24.0	**25.0**	**25.3**	**24.9**	*22.7*	*23.9*	*23.8*
Greece	43.1	49.3	49.4	48.0	49.2	49.8	**50.4**	**48.2**	**46.9**	*50.0*	*51.0*	*48.8*
Spain	36.4	38.4	40.8	42.1	42.2	42.9	**43.4**	**43.3**	**43.0**	*42.9*	*43.4*	*43.4*
France	51.3	53.8	53.3	51.4	51.2	52.2	**52.3**	**52.6**	**52.3**	*52.1*	*52.3*	*52.1*
Croatia	42.1	44.1	45.6	45.1	45.3	46.4	**47.8**	**47.5**	**47.1**	*47.1*	*47.7*	*47.7*
Italy	46.0	47.4	47.0	46.5	46.9	48.0	**48.3**	**48.3**	**47.9**	*48.1*	*48.4*	*48.2*
Cyprus	39.7	41.4	40.8	41.4	40.7	41.5	**40.8**	**39.9**	**39.5**	*43.6*	*42.7*	*42.5*
Latvia	37.7	38.8	39.4	41.0	42.9	42.8	**42.7**	**41.5**	**41.0**	*43.6*	*44.4*	*43.5*
Lithuania	34.9	33.8	35.5	36.2	38.0	39.4	**40.0**	**40.2**	**39.9**	*39.4*	*40.4*	*40.3*
Luxembourg	42.2	42.5	45.4	46.6	47.3	46.9	**48.6**	**49.1**	**48.9**	*47.1*	*48.1*	*48.6*
Malta	38.2	37.1	34.1	31.4	33.9	35.1	**34.8**	**36.4**	**36.4**	*34.8*	*34.4*	*34.5*
Netherlands	43.7	44.2	43.8	43.7	43.9	43.6	**43.6**	**44.1**	**44.5**	*43.3*	*43.5*	*44.3*
Austria	49.1	50.0	49.6	49.5	50.1	50.4	**50.5**	**50.7**	**50.5**	*51.0*	*51.3*	*50.9*
Portugal	41.5	43.7	43.4	43.2	42.9	43.0	**44.0**	**42.2**	**41.7**	*43.4*	*44.6*	*42.4*
Slovakia	34.9	39.1	39.7	42.8	41.3	42.9	**43.9**	**41.6**	**41.3**	*43.5*	*43.6*	*42.0*
Slovenia	44.7	45.8	44.7	43.9	45.6	46.3	**46.9**	**45.5**	**45.4**	*47.1*	*47.3*	*46.8*
Finland	52.3	53.6	51.9	53.1	53.4	53.7	**53.3**	**52.6**	**52.6**	*54.1*	*54.0*	*53.3*
Euro area (21)	45.2	46.7	46.5	45.7	46.1	46.7	**46.8**	**46.7**	**46.6**	*46.8*	*47.2*	*47.0*
Czechia	39.5	40.5	40.5	40.3	41.2	41.1	**41.0**	**40.3**	**40.2**	*41.0*	*40.4*	*39.5*
Denmark	54.1	53.9	52.3	51.0	50.6	50.1	**50.0**	**49.8**	**50.0**	*50.9*	*50.3*	*50.1*
Hungary	45.2	46.4	43.0	42.7	42.1	42.9	**44.1**	**43.2**	**42.0**	*42.6*	*42.5*	*41.6*
Poland	39.0	39.0	40.8	41.7	42.8	43.6	**44.7**	**44.3**	**44.3**	*43.6*	*45.3*	*44.6*
Romania	31.9	33.3	32.8	34.5	34.0	35.6	**36.8**	**35.6**	**35.5**	*35.4*	*36.7*	*36.1*
Sweden	51.0	50.8	50.5	49.2	48.5	47.8	**47.4**	**47.6**	**48.2**	*48.6*	*48.1*	*47.5*
EU	45.2	46.5	46.2	45.4	45.8	46.3	**46.4**	**46.3**	**46.2**	*46.4*	*46.8*	*46.5*
United Kingdom	38.2	38.0	39.2	40.3	40.1	40.9	**41.2**	**41.3**	**41.6**	*40.6*	*41.2*	*41.4*
Japan	30.8	33.8	35.9	36.7	36.9	37.7	**37.3**	**36.6**	**36.4**	*37.1*	*37.2*	*37.1*
United States	31.0	33.0	32.7	31.2	31.4	32.8	**32.5**	**32.3**	**32.4**	*32.4*	*31.7*	*31.8*

Table 34: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-3.9	-2.4	-4.2	-4.1	-4.4	-5.2	**-5.2**	**-5.5**	**-5.7**	-5.2	-5.2	-5.4
Bulgaria	-1.8	-1.2	-1.4	-2.0	-3.0	-4.0	**-5.0**	**-4.0**	**-4.8**	-3.5	-4.1	-4.3
Germany	-1.8	0.8	-1.2	-2.2	-2.7	-2.9	**-4.1**	**-4.4**	**-4.5**	-2.7	-3.7	-4.1
Estonia	-1.1	0.1	-1.9	-2.7	-1.6	-2.0	**-4.4**	**-3.9**	**-3.9**	-2.0	-4.5	-4.8
Ireland	-15.0	-2.6	-0.8	1.5	4.2	1.8	**1.4**	**1.4**	**0.6**	1.8	1.4	1.2
Greece	-11.4	-4.5	-3.6	-1.5	1.4	2.0	**0.9**	**0.7**	**0.2**	1.7	0.8	0.6
Spain	-9.3	-5.2	-5.4	-3.3	-3.2	-2.4	**-2.6**	**-2.2**	**-2.2**	-2.4	-2.4	-2.0
France	-5.7	-4.1	-5.0	-5.4	-5.8	-5.1	**-5.5**	**-5.4**	**-5.7**	-5.1	-5.1	-5.7
Croatia	-5.8	-2.9	-2.0	-1.2	-2.5	-3.0	**-2.8**	**-2.8**	**-2.9**	-3.0	-2.9	-2.7
Italy	-3.7	-2.6	-6.0	-7.1	-3.4	-3.1	**-2.9**	**-3.5**	**-3.2**	-3.1	-2.9	-2.9
Cyprus	-6.2	-2.5	-1.4	1.7	4.0	3.6	**2.9**	**3.2**	**3.3**	3.4	2.1	2.5
Latvia	-5.8	-0.9	-3.5	-2.2	-1.8	-2.5	**-2.9**	**-4.4**	**-5.4**	-2.5	-3.3	-4.3
Lithuania	-5.6	-1.0	-1.4	-0.7	-1.3	-1.8	**-3.5**	**-4.3**	**-5.1**	-1.8	-2.2	-2.7
Luxembourg	0.7	1.3	0.9	-0.7	0.6	-1.8	**-1.1**	**-1.0**	**-1.7**	-2.0	-1.2	-1.5
Malta	-3.1	0.0	-3.7	-4.4	-3.5	-2.1	**-2.8**	**-2.8**	**-2.8**	-2.2	-2.2	-2.1
Netherlands	-3.7	-1.1	-0.5	-0.3	-0.7	-1.6	**-2.5**	**-2.1**	**-2.3**	-1.6	-2.5	-1.9
Austria	-3.2	-1.3	-3.3	-2.6	-4.6	-4.1	**-4.0**	**-3.6**	**-3.6**	-4.2	-4.1	-4.1
Portugal	-7.8	-4.4	-1.8	1.1	0.7	0.7	**0.1**	**-0.1**	**-0.3**	0.7	-0.1	-0.4
Slovakia	-5.4	-2.5	-2.8	-5.3	-5.4	-4.4	**-4.4**	**-5.0**	**-5.5**	-4.5	-4.6	-5.4
Slovenia	-4.8	-4.1	-2.7	-2.6	-0.8	-2.5	**-2.9**	**-4.5**	**-4.3**	-2.5	-3.3	-3.5
Finland	-0.8	-2.1	-2.0	-3.0	-4.4	-3.8	**-4.0**	**-4.5**	**-4.5**	-3.4	-4.5	-4.6
Euro area (21)	-4.6	-2.0	-3.3	-3.4	-3.0	-3.0	**-3.5**	**-3.6**	**-3.8**	-2.9	-3.3	-3.5
Czechia	-3.6	-0.4	-2.5	-3.7	-2.0	-2.2	**-2.7**	**-3.3**	**-3.3**	-2.1	-2.8	-2.9
Denmark	-1.4	0.3	2.6	3.5	4.1	2.9	**1.1**	**0.5**	**0.3**	2.9	0.9	0.5
Hungary	-4.1	-2.3	-5.0	-7.0	-5.1	-4.7	**-7.3**	**-5.2**	**-5.3**	-4.7	-6.2	-5.8
Poland	-5.4	-2.9	-2.6	-5.2	-6.4	-7.2	**-7.1**	**-7.1**	**-7.2**	-7.3	-6.5	-6.3
Romania	-6.3	-1.8	-6.1	-6.6	-9.2	-7.8	**-6.0**	**-5.8**	**-5.6**	-7.9	-6.2	-5.8
Sweden	-0.2	-0.4	-0.3	-1.0	-1.6	-1.6	**-2.1**	**-1.4**	**-0.9**	-1.3	-2.8	-2.5
EU	-4.4	-1.9	-3.1	-3.4	-3.1	-3.1	**-3.6**	**-3.7**	**-3.8**	-3.1	-3.5	-3.6
United Kingdom	-8.0	-4.2	-5.9	-6.1	-6.0	-5.4	**-4.6**	**-4.1**	**-3.9**	-5.5	-4.9	-4.5
Japan	-8.0	-4.7	-5.0	-2.3	-1.7	-0.7	**-1.3**	**-2.1**	**-2.4**	-1.2	-2.0	-2.3
United States	-10.6	-5.1	-8.7	-7.9	-8.0	-7.2	**-8.1**	**-7.9**	**-7.9**	-7.4	-8.0	-7.9

Table 35: Interest expenditure, general government (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	3.8	3.0	1.9	1.9	2.2	2.3	**2.5**	**2.9**	**3.1**	2.2	2.4	2.7
Bulgaria	0.8	0.8	0.5	0.5	0.5	0.8	**0.9**	**1.1**	**1.3**	0.8	1.2	1.3
Germany	2.5	1.4	0.7	0.9	1.0	1.1	**1.2**	**1.2**	**1.3**	1.1	1.2	1.2
Estonia	0.1	0.1	0.1	0.4	0.6	0.5	**0.6**	**0.8**	**0.9**	0.5	0.6	0.8
Ireland	2.7	3.0	1.0	0.6	0.6	0.5	**0.5**	**0.6**	**0.7**	0.5	0.5	0.6
Greece	5.8	3.6	2.8	3.4	3.5	3.1	**3.2**	**3.1**	**3.3**	3.2	3.2	3.2
Spain	2.1	3.1	2.3	2.4	2.4	2.4	**2.5**	**2.6**	**2.7**	2.4	2.5	2.5
France	2.7	2.0	1.6	1.9	2.0	2.2	**2.6**	**3.0**	**3.3**	2.2	2.6	2.8
Croatia	2.4	3.1	1.9	1.6	1.5	1.4	**1.3**	**1.4**	**1.4**	1.4	1.4	1.3
Italy	4.7	4.2	3.6	3.6	3.9	3.8	**4.2**	**4.4**	**4.6**	3.9	4.1	4.2
Cyprus	2.5	3.0	1.9	1.2	1.1	1.1	**1.0**	**1.0**	**1.1**	1.1	1.2	1.2
Latvia	1.5	1.3	0.7	0.7	1.1	1.1	**1.3**	**1.4**	**1.4**	1.1	1.3	1.4
Lithuania	1.5	1.5	0.7	0.6	0.8	0.9	**1.1**	**1.4**	**1.7**	0.9	1.1	1.3
Luxembourg	0.4	0.4	0.2	0.3	0.3	0.3	**0.5**	**0.7**	**0.7**	0.3	0.5	0.6
Malta	3.1	2.3	1.2	1.0	1.2	1.2	**1.3**	**1.4**	**1.6**	1.2	1.3	1.3
Netherlands	1.9	1.4	0.7	0.7	0.7	0.7	**0.8**	**0.9**	**0.8**	0.7	0.7	0.8
Austria	3.0	2.3	1.3	1.2	1.5	1.6	**1.7**	**2.0**	**2.1**	1.6	1.8	1.9
Portugal	3.6	4.4	2.7	2.1	2.1	2.0	**2.1**	**2.2**	**2.3**	1.9	2.0	2.1
Slovakia	1.5	1.7	1.2	1.2	1.4	1.5	**1.6**	**1.8**	**2.0**	1.5	1.7	1.8
Slovenia	1.6	3.0	1.5	1.2	1.3	1.3	**1.3**	**1.3**	**1.4**	1.3	1.3	1.4
Finland	1.4	1.2	0.7	1.2	1.6	1.6	**1.8**	**2.0**	**2.3**	1.6	1.9	2.0
Euro area (21)	2.9	2.4	1.6	1.7	1.9	1.9	**2.1**	**2.3**	**2.4**	1.9	2.1	2.2
Czechia	1.2	1.1	0.8	1.3	1.3	1.3	**1.4**	**1.5**	**1.6**	1.3	1.3	1.3
Denmark	1.7	1.2	0.7	0.7	0.8	0.8	**0.8**	**0.8**	**0.8**	0.8	0.8	0.8
Hungary	4.3	3.5	2.4	4.7	4.9	3.8	**3.9**	**3.8**	**3.6**	3.8	3.9	3.7
Poland	2.5	1.9	1.3	2.1	2.2	2.5	**2.7**	**3.1**	**3.3**	2.5	2.8	2.9
Romania	1.7	1.5	1.3	2.0	2.4	2.8	**3.0**	**3.1**	**3.1**	2.8	3.0	3.0
Sweden	1.3	0.6	0.4	0.7	0.7	0.6	**0.6**	**0.7**	**0.8**	0.6	0.6	0.7
EU	2.8	2.2	1.5	1.7	1.9	1.9	**2.1**	**2.2**	**2.4**	1.9	2.1	2.1
United Kingdom	2.9	2.8	2.8	3.3	3.0	3.4	**3.4**	**3.4**	**3.4**	3.4	3.4	3.4
Japan	1.9	1.7	1.4	1.2	1.2	1.2	**1.3**	**1.3**	**1.3**	1.2	1.3	1.3
United States	4.2	3.9	3.8	4.3	4.7	4.8	**4.9**	**5.1**	**5.4**	4.7	4.8	4.9

Table 36: Primary balance, general government [1] (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-0.1	0.6	-2.3	-2.2	-2.2	-3.0	**-2.7**	**-2.6**	**-2.6**	-2.9	-2.7	-2.7
Bulgaria	-1.1	-0.4	-0.8	-1.5	-2.5	-3.2	**-4.1**	**-2.9**	**-3.5**	-2.7	-2.9	-3.0
Germany	0.7	2.2	-0.5	-1.4	-1.7	-1.8	**-2.9**	**-3.2**	**-3.2**	-1.6	-2.5	-2.9
Estonia	-1.0	0.1	-1.9	-2.4	-1.0	-1.5	**-3.7**	**-3.1**	**-2.9**	-1.5	-3.9	-4.0
Ireland	-12.3	0.4	0.2	2.1	4.7	2.3	**1.9**	**2.0**	**1.3**	2.2	1.9	1.8
Greece	-5.6	-0.8	-0.8	1.9	4.9	5.1	**4.1**	**3.7**	**3.4**	4.9	4.0	3.7
Spain	-7.2	-2.1	-3.1	-1.0	-0.7	0.0	**-0.1**	**0.4**	**0.5**	0.0	0.1	0.5
France	-3.0	-2.1	-3.4	-3.5	-3.7	-2.9	**-2.8**	**-2.3**	**-2.4**	-2.9	-2.5	-2.9
Croatia	-3.4	0.2	-0.1	0.4	-0.9	-1.6	**-1.5**	**-1.4**	**-1.6**	-1.6	-1.5	-1.4
Italy	1.0	1.6	-2.4	-3.5	0.5	0.8	**1.2**	**0.8**	**1.4**	0.8	1.2	1.3
Cyprus	-3.8	0.4	0.5	2.9	5.1	4.7	**3.9**	**4.2**	**4.4**	4.5	3.3	3.7
Latvia	-4.3	0.4	-2.8	-1.5	-0.7	-1.4	**-1.6**	**-3.0**	**-4.0**	-1.4	-2.0	-2.9
Lithuania	-4.1	0.6	-0.7	-0.2	-0.5	-0.9	**-2.3**	**-2.9**	**-3.4**	-0.9	-1.1	-1.5
Luxembourg	1.1	1.7	1.2	-0.4	0.9	-1.4	**-0.6**	**-0.3**	**-1.0**	-1.6	-0.7	-1.0
Malta	0.0	2.3	-2.5	-3.4	-2.4	-0.8	**-1.5**	**-1.4**	**-1.2**	-1.0	-0.9	-0.8
Netherlands	-1.8	0.3	0.2	0.3	0.0	-0.9	**-1.7**	**-1.2**	**-1.4**	-0.9	-1.8	-1.1
Austria	-0.3	1.0	-2.0	-1.4	-3.1	-2.5	**-2.3**	**-1.6**	**-1.5**	-2.6	-2.4	-2.3
Portugal	-4.2	0.0	0.8	3.2	2.8	2.6	**2.2**	**2.1**	**2.0**	2.6	1.9	1.6
Slovakia	-3.9	-0.8	-1.7	-4.1	-4.0	-2.9	**-2.7**	**-3.2**	**-3.5**	-2.9	-3.0	-3.6
Slovenia	-3.1	-1.1	-1.2	-1.3	0.4	-1.3	**-1.6**	**-3.1**	**-2.9**	-1.3	-2.0	-2.1
Finland	0.6	-0.8	-1.3	-1.8	-2.9	-2.2	**-2.2**	**-2.5**	**-2.2**	-1.8	-2.7	-2.6
Euro area (21)	-1.7	0.3	-1.7	-1.7	-1.2	-1.1	**-1.4**	**-1.4**	**-1.4**	-1.0	-1.3	-1.3
Czechia	-2.4	0.7	-1.7	-2.4	-0.6	-0.9	**-1.4**	**-1.7**	**-1.6**	-0.8	-1.5	-1.6
Denmark	0.3	1.5	3.2	4.2	4.9	3.7	**1.9**	**1.3**	**1.1**	3.7	1.7	1.3
Hungary	0.2	1.2	-2.6	-2.3	-0.3	-1.0	**-3.4**	**-1.4**	**-1.7**	-0.9	-2.3	-2.1
Poland	-3.0	-1.0	-1.2	-3.1	-4.3	-4.7	**-4.5**	**-3.9**	**-3.9**	-4.7	-3.7	-3.3
Romania	-4.6	-0.3	-4.7	-4.6	-6.7	-4.9	**-2.9**	**-2.8**	**-2.5**	-5.0	-3.2	-2.8
Sweden	1.1	0.2	0.1	-0.2	-0.9	-0.9	**-1.5**	**-0.7**	**-0.1**	-0.7	-2.1	-1.8
EU	-1.6	0.3	-1.5	-1.7	-1.3	-1.2	**-1.6**	**-1.5**	**-1.4**	-1.2	-1.4	-1.5
United Kingdom	-5.2	-1.4	-3.0	-2.8	-3.0	-2.0	**-1.2**	**-0.7**	**-0.5**	-2.1	-1.4	-1.1
Japan	-6.1	-2.9	-3.6	-1.1	-0.5	0.6	**-0.1**	**-0.8**	**-1.0**	0.0	-0.7	-1.0
United States	-6.4	-1.2	-4.9	-3.6	-3.3	-2.4	**-3.2**	**-2.8**	**-2.5**	-2.7	-3.2	-3.0

[1] Net lending/borrowing excluding interest expenditure.

Table 37: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.0	0.9	-1.8	-2.6	-2.1	-2.6	**-1.9**	**-1.6**	**-1.6**	-2.6	-1.9	-1.7
Bulgaria	-1.3	-0.1	-0.9	-1.7	-2.7	-3.3	**-4.1**	**-2.7**	**-3.3**	-2.8	-2.9	-2.9
Germany	1.1	2.2	-0.5	-0.8	-0.8	-0.8	**-2.2**	**-2.7**	**-2.9**	-0.7	-1.8	-2.3
Estonia	0.9	-0.3	-2.2	-0.6	0.8	-0.1	**-3.1**	**-2.9**	**-3.3**	-0.2	-3.2	-3.9
Ireland	-11.2	0.0	0.5	2.1	4.7	0.5	**2.3**	**2.2**	**1.5**	-0.3	2.1	2.1
Greece	-1.2	7.0	3.0	1.5	3.8	3.8	**2.7**	**2.5**	**2.4**	3.5	2.5	2.3
Spain	-4.4	0.7	-2.4	-1.5	-1.9	-1.2	**-1.3**	**-0.6**	**-0.2**	-1.2	-1.0	-0.2
France	-2.3	-1.2	-2.6	-3.3	-3.6	-2.5	**-2.0**	**-1.2**	**-1.4**	-2.5	-2.0	-2.4
Croatia	-3.3	1.6	-0.1	-0.9	-2.1	-2.5	**-1.8**	**-1.4**	**-1.3**	-2.3	-1.7	-1.3
Italy	1.8	3.4	-1.2	-4.2	-0.1	0.4	**0.9**	**0.7**	**1.2**	0.3	1.0	1.1
Cyprus	-3.7	3.0	0.3	1.5	3.1	2.9	**2.7**	**3.7**	**4.1**	3.1	2.5	3.1
Latvia	-2.2	0.1	-3.0	-1.2	-0.3	-1.2	**-1.8**	**-3.2**	**-4.2**	-1.4	-2.1	-3.1
Lithuania	-2.2	0.4	-1.4	0.3	0.0	-0.6	**-2.3**	**-2.9**	**-3.5**	-0.6	-1.1	-1.4
Luxembourg	1.6	1.9	1.6	1.0	2.2	0.0	**0.8**	**1.0**	**0.1**	0.1	0.8	0.1
Malta	0.3	1.4	-2.4	-3.2	-2.1	-0.5	**-0.8**	**-0.2**	**0.2**	-0.9	-0.3	0.2
Netherlands	-1.1	1.1	0.3	0.5	0.6	-0.2	**-1.2**	**-0.7**	**-1.1**	-0.5	-1.1	-0.3
Austria	-0.1	1.4	-1.9	-1.5	-2.6	-1.8	**-1.6**	**-1.1**	**-1.2**	-2.0	-1.7	-1.8
Portugal	-3.4	1.0	1.3	2.6	2.3	2.5	**2.1**	**2.1**	**1.9**	2.5	1.9	1.6
Slovakia	-3.9	-0.3	-1.9	-4.3	-4.2	-2.8	**-2.3**	**-2.9**	**-3.3**	-2.7	-2.6	-3.3
Slovenia	-2.7	0.9	-2.0	-2.4	-0.4	-1.7	**-2.6**	**-4.3**	**-4.1**	-1.8	-2.4	-2.6
Finland	1.1	0.2	-1.2	-0.1	-1.4	-0.7	**-1.2**	**-1.7**	**-1.6**	-0.3	-1.3	-1.6
Euro area (21)	-0.8	1.3	-1.2	-1.7	-1.0	-0.9	**-1.2**	**-1.1**	**-1.1**	-0.9	-1.0	-1.1
Czechia	-2.2	1.0	-1.9	-1.9	-0.1	-0.7	**-1.1**	**-1.8**	**-1.8**	-0.6	-1.3	-1.8
Denmark	1.7	2.5	4.1	6.9	7.2	5.7	**2.8**	**2.5**	**2.4**	4.7	2.7	2.4
Hungary	2.1	1.4	-3.5	-2.1	0.2	-0.2	**-2.9**	**-1.5**	**-2.4**	-0.3	-2.0	-2.2
Poland	-3.7	-0.3	-1.6	-2.6	-3.9	-4.7	**-4.6**	**-3.9**	**-3.7**	-4.6	-3.8	-3.3
Romania	-4.3	0.0	-4.3	-4.3	-6.3	-4.5	**-2.0**	**-2.0**	**-2.0**	-4.6	-2.4	-2.2
Sweden	1.9	0.4	0.4	0.9	0.1	0.2	**-1.0**	**-0.4**	**0.3**	0.3	-1.3	-1.4
EU	-0.8	1.2	-1.1	-1.5	-1.0	-0.9	**-1.3**	**-1.2**	**-1.2**	-1.0	-1.1	-1.2

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 38: Structural budget balance, general government[1] (as a percentage of potential GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	:	:	-3.9	-4.3	-4.2	-4.9	**-4.5**	**-4.5**	**-4.7**	-4.9	-4.4	-4.4
Bulgaria	:	:	-1.4	-2.2	-2.7	-4.2	**-5.0**	**-3.9**	**-4.6**	-4.1	-4.1	-4.1
Germany	:	:	-1.2	-1.7	-1.8	-1.8	**-3.4**	**-4.0**	**-4.2**	-1.8	-2.9	-3.5
Estonia	:	:	-2.5	-1.0	-0.4	-0.7	**-3.7**	**-3.7**	**-4.2**	-0.8	-3.8	-4.7
Ireland	:	:	-0.5	1.4	1.6	0.0	**1.7**	**1.6**	**0.9**	-0.7	1.6	1.5
Greece	:	:	-0.3	-1.8	0.5	0.8	**-0.5**	**-0.6**	**-0.9**	0.5	-0.7	-0.9
Spain	:	:	-4.3	-3.8	-3.5	-3.1	**-3.2**	**-3.0**	**-2.9**	-3.2	-2.9	-2.5
France	:	:	-3.9	-5.1	-5.6	-4.7	**-4.6**	**-4.3**	**-4.7**	-4.7	-4.6	-5.2
Croatia	:	:	-1.9	-2.5	-3.6	-3.9	**-3.1**	**-2.8**	**-2.7**	-3.7	-3.1	-2.6
Italy	:	:	-5.0	-8.2	-4.1	-3.6	**-3.2**	**-3.6**	**-3.3**	-3.7	-3.2	-3.1
Cyprus	:	:	0.1	0.3	2.0	1.7	**1.7**	**2.7**	**3.1**	1.9	1.3	1.9
Latvia	:	:	-3.8	-1.9	-1.3	-2.3	**-3.1**	**-4.5**	**-5.7**	-2.5	-3.4	-4.5
Lithuania	:	:	-2.2	-0.3	-0.8	-1.6	**-3.5**	**-4.3**	**-5.1**	-1.6	-2.2	-2.7
Luxembourg	:	:	1.4	0.8	1.9	-0.4	**-0.2**	**0.3**	**-0.6**	-0.2	0.3	-0.5
Malta	:	:	-3.6	-4.2	-3.3	-1.4	**-2.1**	**-1.6**	**-1.3**	-1.8	-1.6	-1.1
Netherlands	:	:	-0.4	-0.7	-0.7	-0.9	**-1.3**	**-1.7**	**-2.0**	-1.1	-1.1	-1.1
Austria	:	:	:	-2.7	-4.1	-3.4	**-3.4**	**-3.1**	**-3.3**	-3.6	-3.5	-3.6
Portugal	:	:	-1.0	1.0	0.3	0.7	**0.2**	**0.2**	**-0.4**	0.6	0.2	-0.4
Slovakia	:	:	-3.0	-5.5	-5.6	-4.4	**-4.0**	**-4.7**	**-5.3**	-4.3	-4.3	-5.1
Slovenia	:	:	-3.4	-3.1	-1.3	-2.5	**-3.9**	**-5.7**	**-5.5**	-2.6	-3.7	-3.9
Finland	:	:	:	-1.3	-2.9	-2.3	**-3.3**	**-3.8**	**-3.9**	-1.9	-3.2	-3.7
Euro area (21)	:	:	-2.7	-3.4	-3.0	-2.7	**-3.1**	**-3.3**	**-3.5**	-2.8	-2.9	-3.2
Czechia	:	:	-2.7	-3.2	-1.4	-1.9	**-2.5**	**-3.3**	**-3.5**	-1.8	-2.6	-3.1
Denmark	:	:	3.5	6.4	7.1	4.9	**2.0**	**1.7**	**1.6**	3.9	2.0	1.6
Hungary	:	:	-5.8	-6.8	-4.6	-4.0	**-6.4**	**-5.3**	**-6.0**	-4.1	-5.9	-5.9
Poland	:	:	-3.1	-4.7	-6.0	-7.1	**-7.3**	**-7.0**	**-7.0**	-7.1	-6.6	-6.2
Romania	:	:	-5.6	-6.4	-8.7	-7.1	**-5.0**	**-5.0**	**-5.1**	-7.3	-5.4	-5.3
Sweden	:	:	0.0	0.2	-0.6	-0.4	**-1.6**	**-1.1**	**-0.5**	-0.3	-2.0	-2.1
EU	:	:	:	-3.2	-2.9	-2.8	**-3.2**	**-3.4**	**-3.5**	-2.9	-3.1	-3.3

Table 39: Gross debt, general government (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	100.1	105.2	104.3	102.3	104.0	108.1	**111.2**	**113.4**	**115.8**	107.9	110.5	112.8
Bulgaria	14.7	24.8	22.6	22.8	23.7	29.9	**33.0**	**35.0**	**37.7**	29.9	32.3	35.5
Germany	75.4	70.9	63.6	61.8	61.4	62.8	**64.3**	**66.3**	**68.9**	63.5	65.8	68.0
Estonia	7.9	10.7	14.8	20.3	23.5	24.0	**26.2**	**28.4**	**32.1**	24.1	26.9	30.5
Ireland	83.9	86.3	53.9	42.1	38.4	34.8	**33.5**	**32.2**	**32.0**	32.9	32.4	31.6
Greece	145.3	181.6	191.3	164.0	153.5	145.4	**135.7**	**130.7**	**126.6**	146.1	140.7	134.4
Spain	62.4	102.0	108.3	105.3	101.4	100.5	**99.2**	**97.9**	**97.2**	100.7	99.6	98.9
France	84.1	96.9	107.1	109.5	112.6	115.7	**119.2**	**122.1**	**123.2**	115.6	118.1	120.2
Croatia	55.1	80.3	75.0	60.5	56.5	55.7	**55.7**	**55.5**	**55.5**	56.3	55.9	55.6
Italy	117.2	134.1	141.6	134.0	134.3	136.7	**137.9**	**138.8**	**138.2**	137.1	138.5	139.2
Cyprus	63.8	107.4	96.6	69.6	60.1	52.3	**46.3**	**40.6**	**35.1**	55.0	50.4	45.5
Latvia	39.3	41.0	42.1	44.5	45.7	46.2	**46.8**	**50.9**	**51.9**	46.9	48.8	53.8
Lithuania	31.3	40.2	39.3	36.7	37.8	39.3	**43.8**	**48.5**	**51.5**	39.5	44.6	48.4
Luxembourg	17.7	21.4	23.4	24.7	25.9	26.0	**29.3**	**29.6**	**30.5**	26.5	29.2	30.2
Malta	65.4	55.9	45.9	46.9	46.0	46.3	**46.7**	**47.0**	**47.2**	46.4	46.2	46.2
Netherlands	59.3	63.0	50.3	45.9	44.0	44.7	**46.1**	**46.5**	**46.9**	44.4	46.9	47.0
Austria	80.0	83.1	77.9	77.4	79.0	80.7	**82.4**	**83.0**	**84.0**	81.5	83.4	84.9
Portugal	101.1	130.3	121.3	96.9	93.0	89.2	**86.5**	**83.2**	**80.1**	89.7	87.6	86.0
Slovakia	40.1	52.6	54.7	55.5	58.9	60.5	**63.4**	**66.3**	**69.5**	61.4	63.7	66.9
Slovenia	39.3	77.9	73.0	68.2	66.3	65.1	**64.5**	**64.8**	**65.3**	65.7	64.9	65.1
Finland	47.8	65.9	70.6	77.2	82.5	88.4	**89.8**	**91.0**	**93.7**	88.5	91.2	93.1
Euro area (21)	82.9	92.7	91.1	87.8	87.5	88.6	**89.6**	**90.5**	**91.3**	88.7	90.2	91.2
Czechia	36.3	39.0	36.3	42.2	43.2	44.2	**45.9**	**47.5**	**49.5**	44.3	45.8	47.2
Denmark	44.7	44.6	39.0	33.0	29.9	27.2	**26.2**	**25.7**	**25.2**	27.9	27.0	26.2
Hungary	77.8	75.2	72.6	73.2	73.5	74.4	**77.3**	**77.7**	**78.2**	74.6	75.1	76.8
Poland	51.9	52.7	50.4	49.5	54.8	59.6	**67.7**	**70.1**	**73.5**	59.7	64.5	68.3
Romania	26.2	37.5	42.9	49.4	54.6	58.9	**60.7**	**62.6**	**64.2**	59.3	61.6	63.4
Sweden	39.0	43.7	37.9	32.3	34.0	35.1	**35.5**	**35.3**	**35.0**	35.1	36.6	37.7
EU	78.1	86.8	84.6	81.6	81.5	82.6	**83.9**	**84.7**	**85.6**	82.8	84.2	85.3

Table 40: Gross national saving (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	24.9	24.1	25.1	25.8	25.2	24.5	23.8	23.5	23.7	23.5	23.1	23.1
Bulgaria	19.6	22.1	21.1	20.8	20.0	18.2	17.0	17.1	17.4	17.8	16.8	16.4
Germany	25.9	27.7	28.5	27.2	26.7	25.9	25.7	25.9	26.4	26.6	25.9	25.8
Estonia	24.9	27.1	27.5	23.1	23.9	25.6	25.4	25.4	25.4	24.3	23.4	23.2
Ireland	16.2	30.0	33.7	35.7	36.9	32.7	33.4	32.4	32.1	31.5	32.2	31.5
Greece	7.5	9.8	8.2	8.3	11.1	11.8	10.9	11.3	11.5	11.3	11.0	11.8
Spain	19.0	21.1	22.6	23.8	24.5	25.0	24.3	24.5	24.8	24.2	23.6	23.5
France	21.6	21.3	22.4	21.7	21.6	21.9	21.5	21.1	21.4	21.7	21.5	21.6
Croatia	18.1	21.2	23.3	25.0	22.7	20.7	20.7	20.2	20.0	22.0	22.1	22.0
Italy	18.1	19.1	22.1	23.1	23.5	23.4	22.8	22.7	22.9	23.4	22.9	22.9
Cyprus	14.0	12.1	13.2	12.5	11.6	11.1	10.7	11.3	11.8	12.8	12.2	12.8
Latvia	25.3	23.5	21.7	19.0	19.5	21.1	21.5	21.6	22.0	19.0	18.9	18.1
Lithuania	17.0	21.2	24.1	26.4	25.7	23.0	22.3	22.0	21.6	23.8	22.2	22.7
Luxembourg	21.4	21.3	18.5	15.7	15.2	13.9	13.8	13.7	13.9	12.6	12.0	12.2
Malta	16.6	24.0	26.8	23.6	17.9	25.7	24.1	23.7	23.2	27.0	24.8	24.6
Netherlands	25.7	27.0	29.5	29.7	28.4	27.8	28.1	28.5	28.7	27.7	27.6	27.4
Austria	26.4	26.2	28.3	27.9	26.8	27.0	26.7	27.1	27.5	25.0	24.5	25.1
Portugal	12.1	16.5	19.1	20.9	22.7	22.3	22.3	22.2	22.2	22.0	21.7	21.7
Slovakia	21.6	22.9	18.9	18.2	16.7	16.6	16.7	16.6	16.8	17.3	17.2	17.2
Slovenia	22.4	24.4	26.5	27.7	26.7	25.5	25.2	24.6	24.7	25.7	24.6	24.2
Finland	24.1	21.3	24.8	22.0	21.9	23.2	24.0	24.4	24.8	23.2	23.1	23.3
Euro area (21)	21.9	23.4	25.1	24.9	24.8	24.4	24.1	24.1	24.4	24.4	23.9	23.9
Czechia	23.1	24.5	26.0	28.3	28.7	29.0	27.9	27.9	27.7	28.5	27.4	27.5
Denmark	24.9	28.4	31.3	33.7	36.1	35.3	34.4	33.7	33.6	34.6	33.7	33.6
Hungary	20.6	25.5	26.8	26.3	25.7	24.9	23.2	23.3	23.7	23.9	21.4	22.3
Poland	16.8	18.4	20.2	19.2	18.5	17.4	17.2	17.0	17.3	17.5	17.7	18.1
Romania	22.2	23.1	19.7	19.7	18.6	20.0	22.2	22.8	23.4	17.9	20.0	20.3
Sweden	28.2	26.3	29.7	31.3	31.7	31.0	31.0	30.8	30.9	30.7	29.9	29.5
EU	22.0	23.5	25.1	25.0	24.9	24.5	24.3	24.2	24.5	24.4	24.0	24.0
United Kingdom	14.2	14.2	16.6	16.0	16.2	16.6	16.6	17.0	17.2	17.2	17.0	17.0
Japan	27.2	28.7	30.5	31.5	32.4	32.5	32.1	32.0	31.9	32.1	31.5	31.5
United States	15.7	19.0	18.5	17.8	17.3	17.9	17.9	17.7	17.7	17.0	17.7	17.5

Table 41: Gross saving, private sector (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	25.3	23.6	26.5	26.7	26.1	26.2	25.6	25.7	26.1	25.2	24.8	25.0
Bulgaria	18.1	19.7	19.6	20.1	21.0	19.0	18.2	17.7	18.7	19.0	19.2	18.8
Germany	24.1	24.0	26.1	25.5	24.9	24.1	25.1	25.5	25.9	24.9	24.8	24.9
Estonia	21.3	22.2	24.3	19.9	19.0	20.4	21.0	20.9	20.8	19.2	19.8	19.7
Ireland	21.8	30.3	32.2	31.7	32.5	27.6	28.3	27.0	27.2	26.6	27.4	27.0
Greece	14.9	9.3	8.2	5.9	5.4	5.8	6.4	6.6	7.5	5.7	6.7	6.9
Spain	22.8	24.1	25.3	24.8	24.8	24.7	24.0	24.0	24.3	24.0	23.3	23.0
France	21.7	20.3	22.5	22.3	22.3	21.9	22.1	21.6	22.2	21.7	21.6	22.3
Croatia	17.2	20.1	20.6	20.9	19.2	17.8	17.6	17.4	17.4	19.4	19.1	19.2
Italy	18.0	18.5	23.0	22.2	21.8	21.2	20.8	21.1	21.3	21.3	21.0	21.2
Cyprus	13.7	9.6	10.4	7.0	5.2	3.9	4.2	4.7	5.5	5.6	6.7	6.8
Latvia	26.1	20.9	20.0	16.2	16.1	18.1	18.8	19.4	20.1	17.1	16.9	16.5
Lithuania	19.2	18.9	22.2	23.0	22.7	20.6	20.4	21.0	21.4	21.6	20.5	20.9
Luxembourg	15.8	15.7	12.5	10.8	8.9	9.2	9.1	8.8	9.8	7.7	6.9	7.3
Malta	17.6	21.7	27.2	24.1	16.0	23.5	23.3	22.7	22.7	25.2	23.6	22.8
Netherlands	25.1	24.6	26.6	26.5	25.3	25.7	26.4	26.9	26.9	25.5	26.0	25.6
Austria	25.2	23.6	27.6	25.9	26.4	26.4	26.1	26.1	26.6	24.3	23.9	24.5
Portugal	16.1	17.6	18.1	16.8	19.4	19.0	19.2	19.7	20.1	18.7	18.8	19.7
Slovakia	23.4	21.9	18.6	20.4	19.0	17.4	17.7	18.3	19.2	17.8	17.5	18.1
Slovenia	22.1	23.1	25.1	25.1	22.4	22.3	22.7	23.7	23.8	22.5	22.8	22.8
Finland	21.1	19.4	22.5	20.9	22.0	22.7	23.1	23.8	24.2	22.4	22.4	22.9
Euro area (21)	22.0	22.0	24.4	23.9	23.6	23.0	23.3	23.4	23.7	23.0	22.9	23.0
Czechia	21.5	21.2	24.1	27.5	26.3	26.4	25.8	26.5	26.4	25.8	25.5	25.8
Denmark	22.3	23.6	25.2	26.1	27.9	28.0	28.4	28.3	28.3	27.3	28.0	28.2
Hungary	21.2	23.1	24.3	27.0	25.5	24.4	24.5	23.9	24.6	23.4	22.4	22.9
Poland	17.5	17.7	18.7	19.0	19.6	19.0	19.2	18.6	19.1	19.2	19.0	18.6
Romania	22.7	21.3	21.9	21.9	22.0	22.0	22.0	22.9	23.3	20.2	20.0	20.5
Sweden	23.9	22.1	24.8	26.7	27.2	26.5	26.4	25.7	25.3	26.0	26.0	25.6
EU	21.9	21.8	24.2	23.9	23.7	23.1	23.3	23.4	23.7	23.0	22.9	23.0
United Kingdom	18.2	15.2	18.6	16.5	16.7	17.2	16.4	16.4	16.4	17.8	16.8	16.5
Japan	30.7	29.7	31.2	29.9	30.2	29.3	29.5	30.1	30.1	29.5	29.6	29.7
United States	22.0	21.1	23.9	21.8	21.7	21.7	21.9	22.2	22.2	20.9	22.3	22.1

Table 42: Saving rate of households (2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	16.0	12.0	14.3	14.4	14.0	13.5	12.6	12.6	12.7	12.4	12.0	12.0
Bulgaria	-2.3	-0.6	-2.2	-4.5	-0.9	-8.9	-15.7	-16.3	-16.8	-6.5	-4.2	-5.2
Germany	16.9	17.0	19.8	18.9	19.6	18.9	19.1	18.9	19.0	19.2	19.0	18.6
Estonia	9.5	7.5	8.9	3.5	7.3	10.1	11.1	10.2	9.1	8.4	9.2	8.5
Ireland	13.6	12.9	18.5	15.8	20.2	19.9	19.5	19.1	19.4	13.6	13.3	13.6
Greece	4.6	-3.3	-1.7	-2.5	-2.4	-3.9	-3.1	-2.0	-2.2	-2.7	-0.4	1.7
Spain	9.5	7.5	11.1	11.4	12.8	11.9	10.8	10.5	10.3	12.0	11.8	11.6
France	15.2	13.7	16.6	16.7	18.0	17.4	17.3	16.6	16.9	18.2	17.6	18.0
Croatia	8.2	9.3	10.4	5.9	9.2	10.9	11.3	11.3	11.2	9.7	8.9	8.9
Italy	12.8	11.2	13.2	11.3	11.1	10.8	10.1	10.6	10.8	11.0	10.6	10.7
Cyprus	7.1	1.7	8.6	4.9	6.8	8.1	6.3	7.6	8.2	7.8	7.9	9.1
Latvia	7.0	2.2	5.6	-2.4	4.3	4.5	4.8	5.5	6.2	6.4	6.5	6.8
Lithuania	1.3	-1.1	7.1	7.1	8.6	11.1	9.9	10.4	10.6	9.7	8.2	8.9
Luxembourg	12.1	14.0	16.9	13.0	14.3	18.1	19.0	18.6	19.4	13.1	13.2	12.6
Malta	1.9	7.9	18.2	13.8	17.9	19.1	:	:	:	:	:	:
Netherlands	13.0	14.1	17.1	15.1	16.7	17.4	17.7	17.1	16.4	17.3	17.5	16.8
Austria	15.9	13.2	15.6	15.1	17.3	15.7	14.0	13.7	14.0	16.7	16.2	16.1
Portugal	9.3	7.4	8.9	8.9	12.9	12.3	11.3	11.2	11.1	12.1	11.7	11.7
Slovakia	8.7	8.4	9.8	7.6	7.8	6.1	7.0	7.6	8.9	8.6	8.5	8.8
Slovenia	12.1	11.9	16.2	14.9	14.0	14.7	15.3	15.9	15.4	15.4	16.1	15.9
Finland	9.3	8.4	11.5	11.1	12.4	13.8	13.4	13.2	13.2	12.4	12.4	12.5
Euro area (21)	14.1	13.1	15.9	15.1	16.1	15.5	15.2	15.0	15.0	15.7	15.4	15.2
Czechia	12.6	11.1	16.0	20.6	19.7	19.2	18.9	19.0	18.9	19.4	18.0	17.5
Denmark	5.3	6.6	8.9	14.8	14.3	14.9	15.3	14.0	12.4	14.3	15.3	15.0
Hungary	11.8	13.1	16.6	20.7	19.8	18.7	18.9	18.2	17.9	17.1	17.2	17.1
Poland	6.0	6.7	6.0	4.8	8.9	9.0	9.1	8.6	8.4	7.9	7.3	7.2
Romania	:	:	:	:	:	:	:	:	:	:	:	:
Sweden	12.9	14.8	16.7	17.1	18.7	16.0	15.4	14.2	14.2	17.1	17.1	16.7
EU	12.5	11.6	14.2	13.6	14.5	14.3	14.4	14.1	14.1	14.2	14.4	14.3
United Kingdom	10.5	8.1	9.1	6.7	9.6	9.7	9.1	8.9	8.4	9.8	9.6	9.1
Japan	11.8	8.6	12.1	8.1	9.4	7.8	7.9	7.9	8.0	7.8	8.4	8.3
United States	11.6	11.2	14.6	11.8	11.6	10.2	9.9	9.6	9.0	10.4	10.2	9.3

Table 43: Gross saving, general government (as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-0.3	0.5	-1.3	-0.9	-0.9	-1.7	-1.8	-2.2	-2.4	-1.7	-1.7	-1.9
Bulgaria	1.6	2.4	1.5	0.7	-0.9	-0.7	-1.2	-0.6	-1.3	-1.2	-2.4	-2.4
Germany	1.7	3.7	2.3	1.8	1.8	1.7	0.6	0.4	0.5	1.8	1.0	0.9
Estonia	3.6	4.9	3.1	3.2	4.9	5.1	4.4	4.5	4.7	5.1	3.5	3.5
Ireland	-5.6	-0.3	1.5	4.0	4.3	5.1	5.1	5.4	4.9	4.9	4.8	4.5
Greece	-7.4	0.5	0.0	2.4	5.7	6.0	4.5	4.7	4.0	5.6	4.3	4.8
Spain	-3.9	-3.0	-2.7	-1.0	-0.4	0.3	0.3	0.5	0.6	0.2	0.4	0.5
France	-0.1	1.0	-0.1	-0.6	-0.8	0.0	-0.6	-0.5	-0.8	0.0	-0.1	-0.7
Croatia	0.9	1.2	2.7	4.1	3.5	2.9	3.1	2.8	2.5	2.6	3.0	2.9
Italy	0.0	0.5	-0.9	0.9	1.7	2.2	2.0	1.6	1.7	2.2	1.9	1.8
Cyprus	0.3	2.4	2.8	5.5	6.4	7.2	6.5	6.6	6.4	7.2	5.6	6.0
Latvia	-0.8	2.7	1.6	2.8	3.4	3.0	2.7	2.2	1.9	1.9	2.0	1.6
Lithuania	-2.1	2.3	1.9	3.4	3.0	2.4	1.8	1.0	0.2	2.3	1.6	1.8
Luxembourg	5.6	5.6	6.1	4.9	6.2	4.7	4.7	4.9	4.1	4.9	5.1	4.9
Malta	-1.0	2.2	-0.4	-0.5	1.9	2.1	0.8	0.9	0.5	1.8	1.2	1.8
Netherlands	0.6	2.4	2.8	3.2	3.0	2.1	1.7	1.6	1.9	2.1	1.6	1.8
Austria	1.2	2.6	0.7	2.0	0.4	0.6	0.6	1.0	0.9	0.7	0.6	0.6
Portugal	-4.0	-1.1	1.1	4.0	3.3	3.2	3.1	2.4	2.1	3.3	2.9	2.0
Slovakia	-1.8	1.0	0.3	-2.2	-2.4	-0.9	-1.0	-1.7	-2.4	-0.6	-0.3	-0.9
Slovenia	0.3	1.3	1.5	2.6	4.4	3.2	2.5	0.9	0.9	3.2	1.8	1.5
Finland	3.0	1.9	2.2	1.1	-0.1	0.5	0.8	0.6	0.6	0.8	0.7	0.4
Euro area (21)	-0.1	1.4	0.6	1.0	1.2	1.4	0.9	0.8	0.7	1.4	1.0	0.9
Czechia	1.6	3.3	2.0	0.8	2.4	2.7	2.1	1.4	1.3	2.6	1.9	1.7
Denmark	2.6	4.7	6.1	7.6	8.2	7.3	5.9	5.4	5.4	7.3	5.8	5.4
Hungary	-0.6	2.4	2.5	-0.7	0.2	0.5	-1.2	-0.7	-0.9	0.5	-1.0	-0.6
Poland	-0.6	0.8	1.5	0.2	-1.1	-1.6	-2.0	-1.6	-1.7	-1.7	-1.3	-0.5
Romania	-0.5	1.7	-2.2	-2.1	-3.4	-2.0	0.2	0.0	0.1	-2.3	0.0	-0.2
Sweden	4.3	4.3	5.0	4.6	4.6	4.5	4.5	5.1	5.7	4.7	3.9	3.9
EU	0.1	1.6	0.9	1.2	1.2	1.4	0.9	0.9	0.8	1.4	1.1	1.0
United Kingdom	-4.0	-1.0	-2.0	-0.6	-0.4	-0.5	0.3	0.6	0.8	-0.6	0.2	0.5
Japan	-3.5	-1.0	-0.7	1.5	2.2	3.2	2.6	1.9	1.7	2.6	1.9	1.7
United States	-6.2	-2.1	-5.4	-4.0	-4.4	-3.8	-4.1	-4.5	-4.5	-4.0	-4.6	-4.5

Table 44: Exports of goods and services, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	0.8	4.2	3.0	-8.1	-2.0	-0.1	**3.2**	**2.8**	**2.4**	*-0.3*	*0.6*	*1.9*
Bulgaria	2.9	6.7	3.6	0.9	1.7	-1.9	**-0.8**	**2.8**	**2.9**	*-2.1*	*2.8*	*3.1*
Germany	1.9	3.1	1.7	-0.9	-1.7	-0.9	**3.9**	**2.3**	**0.9**	*-0.4*	*-0.1*	*0.9*
Estonia	5.4	2.7	6.4	-10.9	-1.5	4.8	**2.8**	**2.1**	**2.0**	*5.0*	*1.6*	*1.6*
Ireland	1.8	15.6	10.9	-3.8	10.2	7.5	**4.1**	**4.6**	**4.0**	*9.7*	*-0.1*	*3.7*
Greece	-1.5	4.6	3.5	2.4	0.8	0.4	**2.9**	**2.7**	**2.6**	*1.7*	*1.7*	*3.1*
Spain	1.0	4.8	1.5	2.2	3.8	2.6	**2.5**	**2.6**	**2.4**	*3.6*	*1.1*	*2.3*
France	1.3	3.3	1.4	2.5	3.2	2.3	**1.0**	**2.2**	**2.5**	*1.3*	*0.7*	*2.2*
Croatia	-1.7	6.8	7.5	-1.4	1.6	1.8	**2.1**	**2.6**	**2.7**	*0.9*	*2.1*	*2.4*
Italy	-1.1	3.0	2.4	-0.4	-0.8	1.7	**3.4**	**2.9**	**2.4**	*1.2*	*0.5*	*1.9*
Cyprus	1.4	6.9	14.0	-1.7	16.1	2.3	**3.0**	**2.7**	**2.5**	*5.0*	*1.2*	*3.1*
Latvia	4.5	4.1	4.2	-7.6	0.1	1.8	**4.2**	**3.3**	**3.3**	*0.1*	*1.7*	*1.9*
Lithuania	7.3	5.1	8.6	-3.5	2.7	5.1	**6.0**	**2.9**	**2.9**	*5.3*	*2.6*	*2.8*
Luxembourg	1.6	4.6	4.8	0.6	0.6	-3.9	**0.5**	**2.5**	**2.4**	*1.2*	*2.0*	*2.5*
Malta	5.2	11.0	9.0	10.2	7.6	0.3	**3.4**	**3.0**	**3.0**	*4.5*	*3.4*	*3.1*
Netherlands	2.2	5.1	3.0	-3.0	0.9	2.5	**2.4**	**2.2**	**2.5**	*2.4*	*1.2*	*1.5*
Austria	1.2	2.9	3.2	-0.4	-1.9	1.3	**1.9**	**2.5**	**2.0**	*0.3*	*1.6*	*2.1*
Portugal	1.5	6.2	3.1	4.3	3.4	0.0	**3.3**	**2.6**	**2.7**	*0.4*	*0.6*	*2.2*
Slovakia	4.1	4.8	2.5	-1.0	0.3	3.8	**3.1**	**4.4**	**3.1**	*4.0*	*1.2*	*3.7*
Slovenia	0.6	6.3	4.5	-1.9	2.4	0.2	**5.7**	**3.3**	**2.6**	*0.3*	*1.6*	*2.1*
Finland	-1.6	2.5	1.9	-1.0	1.0	5.2	**3.8**	**3.4**	**3.5**	*3.4*	*2.0*	*2.6*
Euro area (21)	1.3	4.4	3.1	-1.1	1.3	1.7	**3.0**	**2.8**	**2.3**	*2.0*	*0.7*	*2.0*
Czechia	4.2	5.2	1.8	2.3	2.2	3.2	**2.6**	**2.4**	**1.8**	*3.9*	*2.1*	*2.4*
Denmark	1.1	3.2	3.0	7.0	7.4	3.5	**6.4**	**3.2**	**2.9**	*3.0*	*2.6*	*2.5*
Hungary	2.1	6.2	4.5	1.8	-0.3	0.7	**1.8**	**5.8**	**4.2**	*-1.1*	*1.1*	*3.5*
Poland	4.9	7.0	6.1	3.7	1.9	5.5	**5.5**	**3.4**	**2.7**	*5.5*	*2.6*	*2.8*
Romania	7.0	11.4	4.3	-1.3	-3.3	4.2	**2.0**	**3.0**	**2.7**	*4.3*	*1.4*	*2.6*
Sweden	0.7	3.0	4.5	2.6	2.9	3.7	**4.1**	**2.2**	**1.9**	*3.9*	*0.7*	*2.2*
EU	1.5	4.6	3.3	-0.4	1.5	2.1	**3.2**	**2.8**	**2.3**	*2.3*	*0.9*	*2.1*
United Kingdom	1.7	3.1	1.8	-1.3	-0.9	1.2	**3.0**	**2.1**	**1.5**	*2.1*	*0.7*	*1.2*
Japan	-0.6	4.3	1.2	3.1	2.2	2.5	**2.1**	**2.0**	**1.5**	*2.9*	*0.4*	*1.0*
United States	4.1	2.3	0.7	2.8	3.6	2.1	**4.1**	**3.8**	**3.5**	*1.6*	*2.6*	*2.2*

Table 45: Imports of goods and services, volume (percentage change on preceding year, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.3	4.5	2.3	-8.4	-1.6	0.4	**3.2**	**2.6**	**2.3**	*0.1*	*0.7*	*1.9*
Bulgaria	-1.1	5.3	6.3	-5.5	4.0	6.9	**5.1**	**1.5**	**3.2**	*5.9*	*2.6*	*2.4*
Germany	1.8	3.8	3.4	-1.0	-0.6	2.9	**2.8**	**2.3**	**1.4**	*3.6*	*1.6*	*1.6*
Estonia	2.0	2.5	8.1	-9.3	0.6	4.7	**3.6**	**2.2**	**2.3**	*5.0*	*3.6*	*2.1*
Ireland	-0.5	15.1	7.5	2.8	4.8	9.6	**5.4**	**4.1**	**3.8**	*9.5*	*2.9*	*3.5*
Greece	-7.5	4.0	6.1	0.8	5.4	-1.7	**3.6**	**2.3**	**2.4**	*-1.3*	*3.3*	*2.3*
Spain	-5.2	4.2	2.0	-0.1	3.3	5.5	**3.8**	**3.4**	**2.6**	*6.2*	*2.4*	*2.8*
France	1.2	4.2	1.7	-0.2	-0.6	2.8	**0.7**	**1.0**	**1.9**	*2.9*	*0.1*	*1.9*
Croatia	-4.3	6.3	8.4	-4.0	8.1	4.0	**2.4**	**2.6**	**2.6**	*2.8*	*2.9*	*2.7*
Italy	-3.1	3.1	2.9	-1.9	-0.7	4.2	**3.6**	**2.4**	**1.9**	*3.6*	*1.4*	*1.8*
Cyprus	-0.1	6.9	12.7	1.1	7.8	4.0	**4.0**	**2.1**	**1.9**	*2.5*	*1.3*	*3.0*
Latvia	-2.3	3.3	6.2	-5.7	-1.7	6.8	**2.7**	**3.2**	**3.5**	*5.7*	*2.2*	*2.3*
Lithuania	2.1	5.6	7.3	-4.5	2.4	8.2	**7.5**	**3.1**	**3.7**	*9.3*	*4.1*	*3.2*
Luxembourg	2.9	4.9	5.5	0.9	0.6	-4.5	**0.4**	**2.9**	**2.8**	*1.8*	*2.0*	*2.8*
Malta	4.1	8.9	11.2	5.9	7.9	-0.5	**3.7**	**3.3**	**3.1**	*4.4*	*3.0*	*3.0*
Netherlands	1.3	5.4	3.2	-3.9	2.0	2.2	**2.2**	**2.1**	**2.6**	*2.4*	*1.2*	*1.6*
Austria	1.3	3.3	3.7	-4.2	-2.5	2.8	**1.5**	**2.1**	**1.9**	*1.7*	*1.5*	*2.0*
Portugal	-2.6	6.8	4.0	2.3	4.1	4.6	**5.8**	**2.5**	**3.0**	*4.3*	*2.0*	*2.5*
Slovakia	1.7	5.3	2.7	-8.1	3.1	3.4	**3.1**	**3.1**	**2.6**	*3.7*	*0.8*	*2.7*
Slovenia	-1.6	5.6	5.6	-4.2	3.1	2.8	**6.5**	**4.0**	**3.3**	*2.1*	*2.7*	*2.4*
Finland	0.5	2.2	3.6	-6.7	-1.3	2.9	**4.8**	**3.8**	**4.5**	*1.7*	*4.0*	*2.2*
Euro area (21)	0.0	4.7	3.5	-1.9	0.7	3.4	**3.0**	**2.4**	**2.3**	*3.7*	*1.6*	*2.1*
Czechia	2.9	5.0	3.3	-1.2	1.0	4.5	**3.4**	**2.5**	**1.8**	*5.0*	*3.0*	*2.6*
Denmark	0.7	3.6	4.0	2.0	7.1	-1.2	**3.0**	**4.1**	**3.3**	*-0.4*	*3.0*	*3.1*
Hungary	0.1	6.5	5.9	-3.4	-1.4	1.9	**5.5**	**5.5**	**4.1**	*1.2*	*1.7*	*3.4*
Poland	2.7	6.8	6.1	-1.5	4.6	7.1	**6.1**	**3.5**	**2.6**	*6.8*	*3.5*	*3.2*
Romania	1.4	10.8	7.0	-1.5	3.8	4.5	**2.6**	**2.5**	**2.5**	*4.9*	*-0.1*	*2.3*
Sweden	1.3	4.6	4.4	-0.6	1.4	4.6	**3.7**	**2.1**	**1.9**	*4.3*	*1.7*	*2.0*
EU	0.2	4.9	3.7	-1.7	1.1	3.5	**3.2**	**2.6**	**2.3**	*3.7*	*1.7*	*2.2*
United Kingdom	0.8	4.1	1.6	-2.4	1.7	3.7	**2.7**	**1.0**	**1.6**	*4.1*	*1.2*	*1.2*
Japan	1.1	2.7	2.0	-0.4	1.7	3.8	**0.3**	**2.5**	**1.8**	*4.0*	*1.5*	*2.1*
United States	0.8	3.5	3.5	-0.8	5.9	3.6	**5.2**	**6.4**	**2.8**	*2.7*	*1.1*	*2.5*

Table 46: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	-0.9	-0.2	0.9	1.4	1.7	0.9	**0.3**	**0.6**	**0.9**	*0.2*	*-0.2*	*0.0*
Bulgaria	-12.5	-4.6	-4.0	-4.1	-4.8	-8.5	**-10.3**	**-9.9**	**-9.7**	*-8.0*	*-9.1*	*-9.2*
Germany	6.3	7.5	4.8	5.1	5.2	3.9	**3.8**	**3.8**	**4.1**	*4.1*	*3.0*	*2.8*
Estonia	-5.9	-4.5	-4.7	-6.1	-7.4	-6.7	**-9.1**	**-9.5**	**-9.5**	*-6.6*	*-8.6*	*-8.5*
Ireland	22.0	30.9	35.8	30.1	31.5	32.8	**31.8**	**31.8**	**31.4**	*36.1*	*29.5*	*28.4*
Greece	-13.8	-10.8	-14.0	-14.4	-15.3	-13.7	**-13.1**	**-12.6**	**-12.8**	*-13.6*	*-14.7*	*-13.9*
Spain	-4.6	-1.6	-2.2	-2.3	-2.1	-3.0	**-3.8**	**-4.0**	**-3.9**	*-2.9*	*-4.0*	*-4.3*
France	-2.3	-1.6	-2.6	-2.9	-1.9	-1.8	**-2.3**	**-2.6**	**-2.1**	*-1.7*	*-1.9*	*-1.8*
Croatia	-15.9	-15.8	-20.2	-22.0	-21.8	-21.0	**-21.0**	**-21.0**	**-20.6**	*-20.6*	*-21.0*	*-20.7*
Italy	-0.3	2.8	2.0	1.4	2.1	1.8	**0.9**	**0.9**	**1.4**	*2.3*	*1.6*	*1.8*
Cyprus	-23.3	-20.2	-19.2	-22.2	-16.3	-19.0	**-19.9**	**-19.7**	**-19.2**	*-19.4*	*-20.0*	*-19.8*
Latvia	-12.7	-10.4	-9.5	-10.4	-8.5	-9.8	**-11.1**	**-10.7**	**-10.1**	*-9.2*	*-10.6*	*-11.0*
Lithuania	-6.6	-4.2	-6.5	-7.7	-7.2	-9.0	**-10.0**	**-9.5**	**-9.5**	*-8.0*	*-10.3*	*-9.7*
Luxembourg	1.2	3.7	2.2	1.7	1.5	1.3	**-0.1**	**0.8**	**1.1**	*2.3*	*2.3*	*2.7*
Malta	-18.6	-15.3	-14.6	-18.0	-16.6	-14.2	**-14.5**	**-14.5**	**-14.3**	*-11.7*	*-11.6*	*-11.4*
Netherlands	8.2	9.8	7.6	6.4	6.2	6.8	**6.5**	**6.1**	**6.1**	*7.4*	*7.7*	*7.4*
Austria	-0.4	0.3	0.1	0.4	1.5	0.8	**0.8**	**1.3**	**1.6**	*1.0*	*0.6*	*1.2*
Portugal	-9.9	-5.8	-8.2	-9.6	-8.8	-10.0	**-10.9**	**-10.5**	**-10.2**	*-9.8*	*-10.5*	*-10.2*
Slovakia	0.6	2.3	-2.0	1.2	-0.3	0.2	**0.2**	**0.9**	**1.1**	*-0.4*	*-0.8*	*-0.3*
Slovenia	-2.1	3.0	1.6	0.9	1.0	-0.4	**-1.4**	**-1.9**	**-2.3**	*-0.2*	*-1.5*	*-1.5*
Finland	3.7	0.7	0.6	2.9	2.1	3.1	**3.0**	**2.8**	**2.2**	*2.9*	*2.1*	*2.1*
Euro area (21)	0.9	3.1	2.1	1.8	2.3	1.8	**1.3**	**1.3**	**1.6**	*2.2*	*1.3*	*1.2*
Euro area 21, adjusted [2]	0.5	2.6	1.9	1.7	2.1	2.1	**1.6**	**1.5**	**1.8**	*2.3*	*1.3*	*1.3*
Czechia	1.5	4.7	2.8	3.8	5.1	4.6	**3.3**	**3.8**	**4.0**	*4.6*	*3.3*	*3.8*
Denmark	3.9	4.7	3.7	7.4	9.3	10.4	**9.6**	**8.6**	**8.7**	*10.6*	*8.9*	*8.8*
Hungary	1.4	2.3	-3.7	-0.5	-0.3	-0.8	**-2.6**	**-2.7**	**-2.4**	*-0.8*	*-2.5*	*-1.7*
Poland	-3.9	-0.9	-1.3	0.6	-0.8	-1.5	**-2.4**	**-2.4**	**-1.8**	*-1.5*	*-2.1*	*-2.2*
Romania	-8.7	-5.3	-9.1	-9.0	-9.3	-8.5	**-8.2**	**-7.9**	**-7.3**	*-8.6*	*-7.7*	*-7.3*
Sweden	4.7	2.8	3.6	4.4	5.1	4.6	**3.1**	**2.9**	**2.6**	*4.0*	*3.0*	*3.1*
EU	0.8	2.9	1.9	1.8	2.2	1.7	**1.2**	**1.1**	**1.4**	*2.1*	*1.1*	*1.1*
EU, adjusted [2]	0.2	2.3	1.5	1.5	1.9	1.9	**1.3**	**1.3**	**1.5**	*2.1*	*1.1*	*1.1*
United Kingdom	-6.1	-6.6	-6.3	-6.7	-6.8	-7.7	**-8.2**	**-8.1**	**-8.0**	*-8.0*	*-8.5*	*-8.4*
Japan	0.6	-0.4	-0.3	-1.1	-0.4	-0.1	**0.2**	**0.2**	**0.5**	*-0.1*	*-0.5*	*-0.4*
United States	-4.7	-4.3	-4.3	-3.8	-4.1	-4.0	**-4.3**	**-4.7**	**-4.7**	*-4.0*	*-3.7*	*-3.6*

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, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.3	0.5	0.0	0.4	0.7	-0.2	**-0.8**	**-0.8**	**-0.5**	*-2.3*	*-2.6*	*-2.6*
Bulgaria	-6.6	1.7	0.0	1.2	-0.3	-4.1	**-6.9**	**-6.4**	**-6.2**	*-3.9*	*-5.0*	*-5.0*
Germany	6.0	7.8	6.5	5.5	5.8	4.5	**4.4**	**4.3**	**4.6**	*4.7*	*3.5*	*3.1*
Estonia	-1.0	1.0	-1.3	-1.5	-1.7	0.3	**-1.4**	**-1.9**	**-1.8**	*-0.7*	*-2.8*	*-3.0*
Ireland	-3.3	2.1	-0.6	8.1	17.1	8.0	**10.0**	**9.3**	**8.9**	*8.1*	*7.9*	*7.3*
Greece	-10.1	-2.3	-6.8	-7.6	-7.3	-5.6	**-6.3**	**-5.9**	**-5.9**	*-6.0*	*-7.1*	*-6.1*
Spain	-3.8	2.4	1.2	2.7	3.3	3.2	**2.4**	**2.5**	**2.8**	*2.8*	*1.9*	*1.8*
France	-0.3	-0.5	-0.7	-1.4	-0.4	-0.5	**-0.7**	**-0.9**	**-0.3**	*-0.2*	*-0.4*	*-0.2*
Croatia	-4.1	1.8	-0.5	-0.5	-2.9	-4.7	**-4.6**	**-5.2**	**-5.2**	*-2.6*	*-3.2*	*-3.2*
Italy	-2.2	1.6	1.7	-0.1	0.8	0.6	**-0.1**	**-0.2**	**0.3**	*1.2*	*0.5*	*0.6*
Cyprus	-7.9	-3.2	-6.7	-9.5	-5.3	-8.6	**-10.3**	**-9.5**	**-8.4**	*-6.4*	*-7.2*	*-6.5*
Latvia	-2.0	-0.2	-2.5	-5.6	-3.4	-5.2	**-6.2**	**-5.6**	**-5.0**	*-5.0*	*-5.8*	*-7.0*
Lithuania	-3.3	0.4	0.4	-0.8	1.6	-0.8	**-1.5**	**-1.4**	**-1.9**	*1.6*	*-0.6*	*-0.3*
Luxembourg	2.9	2.7	0.7	-0.7	-1.9	-3.0	**-2.9**	**-2.9**	**-2.8**	*-2.9*	*-2.8*	*-2.7*
Malta	-3.8	4.5	4.7	3.6	-1.4	6.6	**5.4**	**4.9**	**4.7**	*8.3*	*6.3*	*6.1*
Netherlands	5.4	7.4	7.8	9.7	7.9	7.6	**7.6**	**7.7**	**7.7**	*7.9*	*7.8*	*7.6*
Austria	2.8	2.0	1.5	1.7	3.0	2.7	**2.5**	**2.9**	**3.2**	*1.1*	*0.7*	*1.3*
Portugal	-7.9	0.6	-0.7	0.4	2.2	1.0	**0.1**	**0.2**	**0.3**	*1.0*	*0.1*	*0.2*
Slovakia	-3.2	-0.8	-4.0	-1.7	-4.0	-3.6	**-3.7**	**-3.0**	**-2.8**	*-2.8*	*-3.3*	*-2.9*
Slovenia	-1.7	4.7	4.7	5.0	5.3	3.4	**2.2**	**1.8**	**1.4**	*3.7*	*2.4*	*2.3*
Finland	0.5	-1.4	-0.7	-1.0	-0.6	1.0	**0.8**	**0.6**	**0.2**	*1.3*	*0.1*	*0.2*
Euro area (21)	0.7	3.2	2.6	2.5	3.2	2.4	**2.1**	**2.1**	**2.4**	*2.5*	*1.7*	*1.7*
Euro area 21, adjusted [2]	-0.3	2.7	1.9	1.8	2.5	1.7	**1.5**	**1.4**	**1.8**	*1.7*	*1.0*	*1.0*
Czechia	-4.2	-0.9	-1.1	0.1	2.4	2.0	**0.4**	**0.8**	**0.8**	*1.7*	*0.4*	*0.8*
Denmark	5.1	7.6	8.1	9.7	11.2	12.3	**11.6**	**10.4**	**10.1**	*12.5*	*11.4*	*11.1*
Hungary	-1.5	2.2	-3.0	-0.1	1.9	2.4	**-0.3**	**-0.4**	**-0.1**	*1.7*	*-0.2*	*0.5*
Poland	-5.1	-1.7	-0.8	1.5	0.3	-1.0	**-2.0**	**-2.0**	**-1.5**	*-0.7*	*-1.2*	*-1.2*
Romania	-6.2	-1.7	-6.4	-6.7	-8.1	-7.4	**-7.0**	**-6.3**	**-5.8**	*-7.9*	*-6.9*	*-6.4*
Sweden	5.8	2.7	4.4	6.0	6.8	5.7	**5.2**	**5.3**	**5.3**	*5.2*	*4.2*	*3.9*
EU	0.6	3.0	2.4	2.4	3.1	2.3	**2.0**	**1.9**	**2.2**	*2.4*	*1.7*	*1.6*
EU, adjusted [2]	0.4	2.8	2.1	2.0	2.5	1.9	**1.6**	**1.5**	**1.8**	*1.9*	*1.2*	*1.2*
United Kingdom	-2.6	-4.4	-2.3	-2.5	-2.9	-3.0	**-3.4**	**-3.1**	**-2.9**	*-2.4*	*-2.7*	*-2.6*
Japan	2.5	2.5	3.1	3.6	4.5	5.0	**4.3**	**4.0**	**3.9**	*4.9*	*3.4*	*3.2*
United States	-3.2	-2.1	-2.9	-3.4	-4.1	-3.8	**-3.9**	**-4.4**	**-4.4**	*-3.7*	*-3.5*	*-3.6*

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, 2008-2028) 03.11.2026

	5-year averages						Autumn 2026 Forecast			Spring 2026 Forecast		
	2008 - 12	2013 - 17	2018 - 22	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	1.3	0.5	0.1	0.6	0.6	-0.6	-1.1	-1.1	-0.8	-2.4	-2.8	-2.7
Bulgaria	-5.5	3.8	1.1	1.6	0.2	-2.9	-5.3	-5.8	-5.2	-1.5	-2.1	-3.0
Germany	5.9	7.6	6.1	4.7	5.0	3.7	3.6	3.6	3.9	3.8	2.7	2.4
Estonia	2.1	2.6	1.6	-0.2	0.1	2.4	0.8	0.5	0.8	1.2	-0.9	-1.0
Ireland	-3.2	-0.8	-6.2	6.4	16.7	7.1	9.3	8.6	8.3	7.1	6.8	6.3
Greece	-8.4	-0.4	-5.0	-5.6	-5.8	-3.4	-3.1	-3.4	-4.0	-2.8	-3.1	-3.0
Spain	-3.4	2.8	1.8	3.9	4.5	4.3	3.5	3.6	4.0	4.0	3.1	3.0
France	-0.4	-0.5	-0.6	-1.0	-0.2	-0.3	-0.4	-0.6	0.0	-0.1	-0.2	0.0
Croatia	-3.8	2.6	1.6	2.4	-1.4	-2.5	-2.3	-3.0	-3.1	-0.5	-1.0	-1.1
Italy	-2.2	1.7	1.9	0.7	0.8	0.8	0.2	-0.1	0.3	1.4	0.7	0.8
Cyprus	-7.6	-2.9	-6.6	-9.4	-5.6	-8.7	-10.4	-9.5	-8.4	-7.0	-7.8	-7.0
Latvia	0.2	2.0	-0.8	-3.3	-1.7	-3.0	-3.9	-4.1	-3.4	-3.7	-4.3	-5.8
Lithuania	0.0	2.7	1.9	0.8	3.1	1.0	0.3	0.5	0.0	3.1	1.0	1.4
Luxembourg	1.5	1.8	-1.2	-1.4	-2.6	-4.1	-4.0	-4.1	-4.2	-3.6	-3.5	-3.3
Malta	-2.5	5.8	6.0	4.4	-1.0	7.2	6.5	5.9	5.7	9.3	7.4	7.1
Netherlands	4.9	6.2	9.6	9.5	7.7	7.0	7.0	7.0	7.0	7.3	7.3	7.0
Austria	2.7	1.9	1.4	2.1	2.8	3.0	2.8	3.2	3.5	0.9	0.5	1.1
Portugal	-6.4	1.8	0.5	1.7	3.3	2.5	2.1	1.4	1.6	2.5	2.0	1.5
Slovakia	-1.9	-0.1	-3.7	-1.7	-4.1	-2.6	-2.8	-2.3	-2.3	0.0	-0.8	-0.8
Slovenia	-1.0	4.8	4.4	4.9	5.3	3.4	2.1	1.7	1.3	3.7	2.3	2.3
Finland	0.5	-1.2	-0.6	-1.0	-0.4	1.2	0.9	0.8	0.3	1.5	0.3	0.4
Euro area (21)	0.8	3.2	2.6	2.6	3.2	2.4	2.1	2.1	2.4	2.4	1.8	1.7
Euro area 21, adjusted [2]	-0.3	2.7	2.0	1.9	2.5	1.7	1.5	1.4	1.8	1.7	1.1	1.1
Czechia	-2.7	0.6	-0.2	1.1	3.9	3.5	1.6	1.9	1.7	3.4	2.0	2.1
Denmark	5.1	7.5	8.2	9.4	10.9	11.8	11.1	9.9	9.6	12.1	11.0	10.7
Hungary	0.4	4.8	-1.0	1.1	2.2	2.9	1.9	1.0	1.3	2.2	0.6	1.3
Poland	-3.4	-0.1	0.3	1.8	0.0	-0.6	-1.6	-1.6	-1.1	-1.0	-1.4	-1.4
Romania	-5.3	0.8	-4.7	-3.9	-6.6	-4.9	-4.4	-3.5	-2.8	-6.0	-4.8	-4.2
Sweden	5.6	2.5	4.4	5.8	6.8	5.6	5.2	5.2	5.2	5.3	4.3	4.0
EU	0.8	3.1	2.5	2.6	3.1	2.4	2.1	2.0	2.3	2.4	1.8	1.7
EU, adjusted [2]	0.5	2.9	2.2	2.2	2.5	2.0	1.7	1.6	1.9	2.0	1.4	1.3
United Kingdom	-2.7	-4.5	-2.4	-2.7	-3.1	-3.3	-3.6	-3.4	-3.2	-2.6	-2.9	-2.8
Japan	2.4	2.4	3.0	3.5	4.5	4.9	4.3	4.0	3.9	4.9	3.4	3.1
United States	-3.2	-2.2	-2.9	-3.4	-4.0	-3.8	-3.9	-4.4	-4.4	-3.7	-3.5	-3.6

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, 2020-2028) 03.11.2026

							Autumn 2026 Forecast			Spring 2026 Forecast		
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium	4.3	9.2	-6.7	2.3	4.6	-1.1	-5.0	-5.2	-3.4	-14.5	-17.4	-17.5
Bulgaria	0.3	-0.2	-2.2	1.1	-0.3	-4.8	-8.8	-8.8	-9.0	-4.5	-6.1	-6.4
Germany	211.3	246.9	163.3	232.5	256.0	203.9	208.3	210.8	232.1	209.5	162.1	149.5
Estonia	-0.7	-1.2	-1.1	-0.6	-0.7	0.1	-0.6	-0.9	-0.9	-0.3	-1.2	-1.4
Ireland	-27.3	54.3	45.3	42.3	95.8	48.3	61.4	60.9	62.4	52.0	50.6	49.7
Greece	-13.8	-15.1	-22.3	-17.1	-17.5	-14.0	-16.7	-16.3	-16.9	-14.8	-18.4	-16.6
Spain	8.9	9.6	5.8	41.1	53.4	54.8	43.2	47.7	55.7	47.1	33.3	32.4
France	-44.4	1.2	-41.6	-38.8	-11.5	-14.0	-21.0	-28.1	-10.1	-6.3	-13.6	-7.5
Croatia	-1.0	0.2	-2.7	-0.4	-2.5	-4.4	-4.7	-5.5	-5.8	-2.4	-3.2	-3.3
Italy	57.8	33.4	-35.4	-1.7	16.7	14.7	-1.8	-4.4	8.0	26.7	11.1	14.8
Cyprus	-2.3	-1.6	-2.0	-3.2	-1.9	-3.3	-4.2	-4.1	-3.8	-2.3	-2.8	-2.6
Latvia	0.7	-1.7	-2.7	-2.2	-1.4	-2.3	-2.9	-2.8	-2.6	-2.2	-2.6	-3.3
Lithuania	2.9	0.2	-4.9	-0.6	1.3	-0.7	-1.4	-1.4	-2.0	1.4	-0.6	-0.3
Luxembourg	1.7	0.9	-3.0	-0.6	-1.7	-2.8	-2.8	-2.9	-3.0	-2.6	-2.6	-2.6
Malta	0.4	0.7	-0.3	0.8	-0.3	1.6	1.4	1.4	1.4	2.0	1.6	1.7
Netherlands	46.4	92.6	69.8	101.3	88.6	89.2	93.9	98.7	102.8	92.6	96.4	96.2
Austria	13.3	7.4	-5.8	8.1	15.0	14.2	13.5	16.1	18.6	5.7	3.5	7.0
Portugal	-1.9	-2.0	-5.5	1.0	6.5	3.1	0.5	0.8	1.1	3.0	0.2	0.8
Slovakia	-0.4	-4.7	-10.1	-2.1	-5.3	-5.0	-5.4	-4.6	-4.5	-3.9	-4.7	-4.4
Slovenia	3.6	1.8	-0.4	3.2	3.6	2.4	1.7	1.5	1.2	2.6	1.8	1.8
Finland	1.0	0.8	-6.9	-2.8	-1.5	2.9	2.3	1.9	0.6	3.5	0.3	0.5
Euro area (21)	260.8	432.7	130.5	363.6	496.9	382.9	350.7	355.0	421.9	392.4	287.8	288.8
Euro area 21, adjusted [2]	210.5	345.9	-17.7	264.0	391.4	275.3	243.1	247.3	314.2	275.9	171.3	172.3
Czechia	1.0	-1.2	-12.3	0.4	7.8	7.1	1.4	3.0	3.0	5.9	1.4	2.9
Denmark	22.6	29.3	42.5	36.2	44.9	51.2	49.7	46.1	46.9	51.2	48.1	48.9
Hungary	-1.4	-6.7	-15.2	-0.2	3.9	5.2	-0.7	-1.0	-0.4	3.8	-0.5	1.3
Poland	12.3	-8.2	-17.1	11.6	2.3	-9.6	-19.1	-20.2	-16.2	-6.8	-12.3	-12.3
Romania	-11.3	-17.6	-26.8	-21.4	-28.7	-28.3	-28.1	-26.5	-26.0	-30.2	-27.7	-27.8
Sweden	27.1	31.7	21.0	32.3	38.2	33.9	33.1	34.5	35.8	30.9	26.4	25.3
EU	311.1	459.9	122.6	422.6	565.3	442.5	387.0	390.9	464.9	447.2	323.2	327.1
EU, adjusted [2]	304.5	414.6	19.6	350.0	449.6	361.7	306.3	310.1	384.1	365.3	241.3	245.2
United Kingdom	-67.6	-22.7	-61.2	-80.9	-99.5	-106.9	-124.3	-122.9	-118.5	-86.0	-97.6	-98.3
Japan	131.3	165.3	83.0	146.7	175.1	196.2	164.8	161.5	162.2	193.2	123.5	117.6
United States	-494.7	-734.0	-933.3	-870.7	-1102.8	-1032.7	-1118.7	-1341.9	-1377.4	-1004.2	-957.4	-1037.7

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, 2020-2028) 03.11.2026

								Autumn 2026 Forecast			Spring 2026 Forecast		
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium		-8.9	9.8	8.2	-0.5	1.8	3.7	**2.8**	**2.7**	**2.4**	*3.7*	*1.6*	*2.4*
Bulgaria		-7.5	11.9	8.0	0.7	2.5	4.1	**3.0**	**3.4**	**2.8**	*4.0*	*2.0*	*2.9*
Germany		-8.3	11.3	7.4	-0.3	2.6	4.2	**3.6**	**3.4**	**2.8**	*3.8*	*1.9*	*2.6*
Estonia		-6.1	11.5	8.3	-1.4	1.6	4.5	**3.8**	**3.2**	**3.1**	*4.1*	*2.6*	*2.5*
Ireland		-9.0	11.3	7.5	-0.9	3.0	3.5	**3.8**	**3.8**	**2.6**	*3.1*	*1.5*	*2.3*
Greece		-8.8	11.8	11.0	0.8	3.1	4.9	**2.8**	**3.7**	**2.9**	*4.4*	*1.8*	*3.4*
Spain		-9.7	10.5	9.0	0.3	2.0	4.1	**2.9**	**3.0**	**2.6**	*3.8*	*1.5*	*2.6*
France		-8.9	10.7	7.7	-0.2	2.5	4.4	**3.5**	**3.5**	**2.7**	*4.0*	*1.9*	*2.7*
Croatia		-8.9	13.4	9.4	-1.1	2.0	4.0	**3.8**	**3.2**	**2.6**	*3.7*	*2.2*	*2.6*
Italy		-8.8	10.8	7.9	0.4	2.7	4.3	**3.1**	**3.5**	**2.7**	*4.0*	*1.7*	*2.8*
Cyprus		-11.3	11.1	9.6	1.8	4.4	5.5	**2.0**	**4.7**	**3.7**	*4.3*	*1.9*	*4.6*
Latvia		-5.8	13.5	6.9	-0.3	2.4	4.8	**4.1**	**3.0**	**2.8**	*4.8*	*2.8*	*2.6*
Lithuania		-6.4	11.6	7.3	0.3	2.4	4.7	**3.5**	**3.3**	**2.8**	*4.4*	*2.4*	*2.7*
Luxembourg		-8.8	10.5	7.3	-1.2	1.1	3.6	**3.1**	**2.7**	**2.3**	*3.5*	*1.5*	*2.3*
Malta		-9.6	8.8	7.6	0.4	2.9	5.4	**3.8**	**3.7**	**3.1**	*4.2*	*2.7*	*3.3*
Netherlands		-8.9	10.7	8.0	-1.2	1.4	3.7	**3.3**	**2.9**	**2.3**	*3.6*	*1.7*	*2.3*
Austria		-8.0	11.0	7.9	-0.8	1.8	3.9	**3.5**	**3.2**	**2.4**	*3.9*	*1.8*	*2.4*
Portugal		-10.9	11.0	8.2	0.0	2.4	4.3	**3.0**	**3.2**	**2.6**	*4.2*	*1.8*	*2.6*
Slovakia		-7.9	11.4	7.7	-0.4	1.6	3.8	**3.5**	**3.2**	**2.5**	*3.8*	*2.0*	*2.5*
Slovenia		-7.5	11.2	9.2	-0.7	1.8	5.2	**2.9**	**2.9**	**2.4**	*5.0*	*1.8*	*2.5*
Finland		-7.6	11.4	7.6	-0.4	2.6	4.0	**3.5**	**3.3**	**2.7**	*3.7*	*2.0*	*2.5*
Euro area (21)	**(b)**	-8.7	10.9	7.9	-0.4	2.2	4.1	**3.3**	**3.3**	**2.6**	*3.8*	*1.8*	*2.6*
Czechia		-7.9	10.7	7.8	-1.2	1.4	3.8	**3.3**	**2.9**	**2.3**	*3.8*	*1.8*	*2.3*
Denmark		-8.4	10.6	8.3	-0.4	2.6	4.3	**3.5**	**3.3**	**2.7**	*3.9*	*2.0*	*2.4*
Hungary		-8.1	11.7	7.9	-0.9	1.9	3.9	**3.3**	**3.0**	**2.3**	*3.9*	*1.8*	*2.4*
Poland		-8.2	10.7	7.7	-0.5	1.5	3.7	**3.2**	**2.9**	**2.3**	*3.8*	*1.9*	*2.3*
Romania		-8.3	11.0	8.8	-0.2	1.8	4.2	**3.1**	**3.3**	**2.6**	*4.0*	*1.9*	*2.8*
Sweden		-8.2	10.1	8.0	-0.6	2.8	3.5	**3.4**	**3.5**	**2.9**	*3.2*	*2.1*	*2.5*
EU	**(b)**	-8.6	10.9	7.9	-0.4	2.2	4.0	**3.3**	**3.2**	**2.6**	*3.8*	*1.8*	*2.5*
United Kingdom		-7.8	9.4	7.2	0.3	3.2	4.7	**3.8**	**3.9**	**3.0**	*4.1*	*1.9*	*2.9*
Japan		-8.3	12.7	4.7	0.8	5.6	6.0	**6.0**	**5.1**	**3.8**	*4.5*	*2.8*	*3.3*
United States		-9.4	11.4	6.9	1.3	3.4	4.5	**4.6**	**3.6**	**3.2**	*3.5*	*2.5*	*3.0*

(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, 2020-2028) 03.11.2026

								Autumn 2026 Forecast			Spring 2026 Forecast		
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2025	2026	2027
Belgium		3.3	4.4	-4.7	-7.5	-3.7	-3.7	**0.4**	**0.0**	**-0.1**	*-3.8*	*-1.0*	*-0.4*
Bulgaria		-2.3	-0.3	4.1	0.8	-0.9	-5.6	**-3.8**	**-0.6**	**0.2**	*-5.7*	*0.8*	*0.2*
Germany		-1.3	-1.0	-3.2	-0.6	-4.2	-4.9	**0.3**	**-1.0**	**-1.8**	*-4.1*	*-1.9*	*-1.7*
Estonia		2.1	10.8	-1.7	-9.1	-3.0	0.3	**-1.0**	**-1.1**	**-1.1**	*0.9*	*-0.9*	*-0.8*
Ireland		24.7	1.7	4.5	-3.4	6.8	4.5	**0.3**	**0.7**	**1.3**	*7.2*	*-2.5*	*1.1*
Greece		-15.5	11.2	-4.3	1.7	-2.2	-4.3	**0.2**	**-1.0**	**-0.3**	*-2.6*	*-0.1*	*-0.3*
Spain		-11.7	2.6	5.4	2.4	2.1	-1.2	**-0.2**	**-0.3**	**-0.2**	*0.0*	*-0.2*	*-0.3*
France		-8.5	0.5	1.3	2.7	0.7	-2.0	**-2.3**	**-1.2**	**-0.2**	*-2.6*	*-1.2*	*-0.4*
Croatia		-16.4	17.1	16.2	0.1	-0.6	-2.2	**-1.6**	**-0.6**	**0.1**	*-2.7*	*-0.1*	*-0.2*
Italy		-5.2	2.8	2.1	-0.7	-3.3	-2.5	**0.3**	**-0.6**	**-0.3**	*-2.6*	*-1.2*	*-0.9*
Cyprus		14.6	14.4	16.6	-3.4	11.2	-3.1	**1.0**	**-2.0**	**-1.1**	*0.6*	*-0.7*	*-1.4*
Latvia		5.8	-3.7	4.6	-7.2	-2.3	-2.8	**0.2**	**0.3**	**0.4**	*-4.5*	*-1.1*	*-0.7*
Lithuania		6.2	6.3	4.1	-4.1	-0.2	-0.2	**2.2**	**-0.3**	**0.0**	*0.4*	*0.1*	*0.2*
Luxembourg		11.9	0.8	-5.5	1.7	-0.5	-7.3	**-2.6**	**-0.2**	**0.1**	*-2.2*	*0.5*	*0.2*
Malta		14.8	-1.9	6.2	9.6	4.6	-4.8	**-0.4**	**-0.7**	**-0.1**	*0.5*	*0.7*	*-0.2*
Netherlands		5.5	-3.5	-3.1	-1.7	-0.4	-1.2	**-0.9**	**-0.6**	**0.1**	*-1.1*	*-0.5*	*-0.8*
Austria		-2.7	-1.3	1.5	0.4	-3.6	-2.6	**-1.5**	**-0.7**	**-0.4**	*-3.5*	*-0.2*	*-0.3*
Portugal		-8.6	1.0	8.5	4.4	1.0	-4.1	**0.3**	**-0.6**	**0.1**	*-3.6*	*-1.2*	*-0.4*
Slovakia		1.9	-0.8	-4.5	-0.7	-1.3	-0.1	**-0.4**	**1.1**	**0.6**	*0.2*	*-0.8*	*1.2*
Slovenia		-1.2	2.6	-1.4	-1.1	0.6	-4.7	**2.7**	**0.4**	**0.2**	*-4.4*	*-0.2*	*-0.3*
Finland		-1.1	-4.8	-3.0	-0.8	-1.0	1.1	**0.2**	**0.1**	**0.8**	*-0.5*	*0.0*	*0.2*
Euro area (21 countries)	**(b)**	-0.1	0.5	-0.3	-0.7	-0.8	-2.2	**-0.3**	**-0.5**	**-0.3**	*-1.6*	*-1.2*	*-0.6*
Czechia		-0.7	-2.3	-2.5	3.6	0.8	-0.5	**-0.6**	**-0.6**	**-0.5**	*0.1*	*0.4*	*0.1*
Denmark		2.1	-2.6	-1.7	7.1	4.8	-0.5	**3.0**	**0.0**	**0.3**	*-0.5*	*0.6*	*0.0*
Hungary		2.2	-3.1	2.6	2.8	-2.1	-3.1	**-1.4**	**2.8**	**1.9**	*-4.8*	*-0.7*	*1.1*
Poland		7.8	1.5	-0.2	4.1	0.4	1.9	**2.5**	**0.5**	**0.4**	*1.8*	*0.8*	*0.5*
Romania		-1.3	1.5	0.7	-1.1	-5.2	0.1	**-1.0**	**-0.2**	**0.1**	*0.3*	*-0.5*	*-0.2*
Sweden		2.9	1.3	-1.7	3.5	0.3	0.3	**0.7**	**-1.2**	**-0.9**	*0.8*	*-1.3*	*-0.3*
EU	**(b)**	0.4	0.4	-0.4	0.0	-0.6	-1.8	**-0.1**	**-0.4**	**-0.2**	*-1.3*	*-1.0*	*-0.4*
United Kingdom		-6.2	-5.0	7.2	-1.4	-4.0	-3.3	**-0.8**	**-1.7**	**-1.4**	*-1.9*	*-1.2*	*-1.7*
Japan		-3.7	-0.8	0.6	2.4	-3.2	-3.3	**-3.7**	**-2.9**	**-2.3**	*-1.6*	*-2.4*	*-2.2*
United States		-3.6	-4.5	0.7	1.5	0.1	-2.3	**-0.4**	**0.1**	**0.2**	*-1.8*	*0.2*	*-0.8*

(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, 2022-2028) 03.11.2026

						Autumn 2026 Forecast			Spring 2026 Forecast		
	(a)	2022	2023	2024	2025	2026	2027	2028	2025	2026	2027
EU	14.0	3.6	0.4	1.4	1.4	**1.4**	**1.4**	**1.5**	*1.5*	*1.1*	*1.4*
Euro area (21)	11.4	3.7	0.4	1.3	1.2	**1.2**	**1.2**	**1.3**	*1.4*	*0.9*	*1.2*
Belgium	0.4	4.0	1.6	0.9	0.9	**0.7**	**0.8**	**1.2**	*1.0*	*0.7*	*0.9*
Bulgaria	0.1	3.3	2.0	3.3	3.0	**2.7**	**2.1**	**2.3**	*3.1*	*2.5*	*2.2*
Czechia	0.3	2.8	0.0	1.3	2.6	**1.8**	**2.5**	**2.1**	*2.6*	*1.8*	*2.4*
Denmark	0.2	0.4	1.1	3.9	3.5	**4.5**	**2.0**	**2.1**	*2.9*	*1.9*	*1.8*
Germany	3.0	1.9	-1.0	0.0	0.2	**1.3**	**1.0**	**0.7**	*0.2*	*0.6*	*0.9*
Estonia	0.0	0.7	-2.9	0.1	1.3	**2.2**	**2.1**	**2.3**	*0.6*	*1.6*	*1.7*
Ireland	0.4	8.2	-3.3	3.6	8.0	**-0.4**	**3.9**	**3.6**	*12.3*	*-1.2*	*3.4*
Greece	0.2	5.5	2.0	2.1	2.1	**1.8**	**1.5**	**1.5**	*2.1*	*1.8*	*1.6*
Spain	1.3	6.4	2.4	3.7	2.6	**2.6**	**2.1**	**1.9**	*2.8*	*2.4*	*1.9*
France	2.2	2.7	1.6	1.5	0.8	**0.4**	**0.6**	**1.4**	*0.8*	*0.8*	*1.1*
Croatia	0.1	7.4	3.8	3.9	3.5	**2.1**	**2.4**	**2.3**	*3.4*	*2.7*	*2.5*
Italy	1.8	4.9	1.0	1.1	0.6	**1.0**	**0.7**	**0.8**	*0.5*	*0.5*	*0.6*
Cyprus	0.0	8.9	6.0	6.6	4.8	**3.4**	**3.0**	**3.2**	*3.8*	*2.3*	*2.7*
Latvia	0.0	1.7	-1.0	0.5	2.2	**2.6**	**1.8**	**2.2**	*2.1*	*1.4*	*1.6*
Lithuania	0.1	1.2	2.9	3.0	3.0	**2.7**	**2.2**	**2.3**	*2.9*	*3.0*	*2.1*
Luxembourg	0.0	-1.1	0.1	2.1	1.4	**1.3**	**1.8**	**2.0**	*0.6*	*1.6*	*2.0*
Hungary	0.2	4.1	-0.7	0.7	0.7	**1.8**	**2.8**	**2.9**	*0.5*	*1.8*	*2.1*
Malta	0.0	4.1	7.1	5.3	4.7	**3.9**	**3.5**	**3.8**	*4.0*	*3.7*	*3.6*
Netherlands	0.7	5.0	-0.6	1.1	1.6	**1.8**	**1.5**	**1.6**	*1.8*	*1.0*	*1.1*
Austria	0.3	5.5	-0.7	-0.3	0.7	**0.8**	**1.2**	**1.1**	*0.6*	*0.6*	*0.9*
Poland	1.0	5.3	0.2	3.2	3.8	**3.5**	**2.7**	**2.7**	*3.6*	*3.5*	*2.8*
Portugal	0.3	7.0	3.1	2.7	1.9	**2.3**	**1.9**	**2.1**	*1.9*	*1.7*	*1.8*
Romania	0.4	4.9	2.5	1.1	0.8	**-0.3**	**1.8**	**2.2**	*0.7*	*0.1*	*2.3*
Slovenia	0.1	2.6	2.6	2.0	1.5	**3.9**	**2.9**	**2.5**	*1.1*	*1.9*	*2.3*
Slovakia	0.1	0.6	2.5	2.6	0.9	**0.8**	**1.6**	**1.5**	*0.8*	*0.8*	*1.5*
Finland	0.2	0.6	-1.2	1.0	0.8	**1.6**	**1.6**	**1.5**	*0.2*	*0.8*	*1.4*
Sweden	0.4	1.3	-0.2	2.0	1.4	**2.8**	**2.2**	**1.5**	*1.5*	*1.8*	*2.2*
Candidate Countries	2.4	-1.3	4.9	3.6	3.4	**2.6**	**3.1**	**3.8**	*3.3*	*2.8*	*4.0*
- Albania	0.0	4.8	4.0	4.0	3.7	**3.4**	**3.3**	**3.3**	*3.8*	*3.3*	*3.3*
- Bosnia and Herzegovina	0.0	4.2	2.0	3.2	2.1	**2.3**	**2.5**	**2.5**	*2.1*	*1.8*	*2.2*
- Georgia	0.1	11.0	7.8	9.4	7.5	**7.3**	**5.8**	**5.5**	*7.5*	*5.5*	*5.2*
- Moldova	0.0	-4.6	1.2	0.3	2.4	**1.7**	**2.4**	**3.3**	*2.4*	*2.0*	*3.5*
- Montenegro	0.0	7.7	6.5	3.2	3.3	**3.1**	**3.0**	**3.2**	*2.7*	*2.8*	*3.0*
- North Macedonia	0.0	2.8	2.6	3.0	3.5	**3.5**	**3.4**	**3.3**	*3.5*	*3.2*	*3.1*
- Serbia	0.1	2.7	3.7	4.0	2.1	**3.3**	**3.8**	**2.9**	*2.0*	*2.8*	*3.9*
- Türkiye	1.8	5.4	5.0	3.5	3.7	**2.8**	**3.5**	**3.9**	*3.6*	*3.0*	*4.0*
- Ukraine	0.3	-28.8	5.5	3.2	1.8	**0.6**	**0.3**	**3.5**	*1.8*	*1.5*	*4.0*
Iceland	0.0	8.9	5.2	-0.9	1.1	**1.5**	**2.0**	**2.2**	*1.3*	*1.7*	*2.4*
Norway	0.3	4.1	0.4	1.4	1.1	**1.4**	**1.5**	**1.6**	*1.1*	*1.4*	*1.0*
Switzerland	0.4	3.5	0.8	1.4	1.3	**1.7**	**1.5**	**1.7**	*1.3*	*1.1*	*1.3*
Australia	0.9	4.2	2.1	1.1	2.0	**2.1**	**1.7**	**1.8**	*2.0*	*2.1*	*1.7*
Canada	1.3	4.7	2.0	2.0	1.9	**1.1**	**1.6**	**1.9**	*1.7*	*1.4*	*1.8*
Japan	3.3	1.2	0.9	0.1	1.2	**0.9**	**0.7**	**0.6**	*1.2*	*0.6*	*0.6*
Korea	1.6	2.9	1.5	2.2	1.1	**3.6**	**2.3**	**2.0**	*1.0*	*2.3*	*1.9*
United Kingdom	2.2	5.0	0.4	1.1	1.2	**1.3**	**1.2**	**1.4**	*1.4*	*0.7*	*1.2*
United States	14.6	2.4	2.9	3.0	2.3	**2.3**	**2.1**	**2.0**	*2.1*	*2.2*	*2.1*
Advanced economies	43.1	2.9	1.8	2.2	2.1	**2.1**	**1.9**	**1.9**	*2.0*	*1.7*	*1.8*
Emerging and Developing Asia	35.7	4.7	5.4	5.4	5.5	**5.0**	**4.9**	**4.9**	*5.5*	*4.6*	*4.9*
- China	19.6	3.1	5.4	5.0	5.0	**4.5**	**4.4**	**4.3**	*5.0*	*4.5*	*4.4*
- India	8.2	7.6	7.3	7.2	7.8	**6.9**	**6.7**	**6.9**	*7.6*	*6.1*	*6.4*
- Indonesia	2.4	5.3	5.0	5.0	5.1	**4.8**	**4.5**	**4.8**	*5.1*	*4.6*	*4.8*
Eastern Neighbourhood and Central Asia	1.1	3.6	5.0	5.3	5.4	**4.7**	**4.3**	**4.0**	*5.4*	*4.1*	*4.0*
Russia	3.4	-1.4	4.1	4.9	1.0	**0.6**	**0.6**	**0.9**	*1.0*	*1.3*	*1.1*
Latin America	4.7	4.2	2.2	2.2	2.4	**2.1**	**2.3**	**2.5**	*2.3*	*2.1*	*2.2*
- Argentina	0.7	6.0	-1.9	-1.4	4.5	**2.1**	**3.0**	**3.4**	*4.4*	*2.8*	*3.0*
- Brazil	2.4	3.0	3.2	3.4	2.3	**2.1**	**1.8**	**1.9**	*2.3*	*2.0*	*1.8*
- Mexico	1.6	3.7	3.1	1.5	0.5	**1.3**	**1.5**	**2.0**	*0.6*	*1.0*	*1.5*
MENA	5.7	7.0	2.5	2.9	2.7	**-2.2**	**6.2**	**4.6**	*3.1*	*0.9*	*4.4*
- Saudi Arabia	1.3	12.0	0.5	2.6	4.5	**-3.3**	**7.2**	**4.4**	*4.5*	*3.0*	*4.4*
Sub-Saharan Africa	3.7	4.1	2.6	3.6	4.2	**4.3**	**4.5**	**4.4**	*4.2*	*4.1*	*4.3*
- South Africa	0.5	2.1	0.8	0.5	1.1	**1.0**	**1.2**	**1.4**	*1.1*	*1.0*	*1.2*
Emerging and Developing Economies	56.9	4.4	4.4	4.6	4.5	**3.6**	**4.4**	**4.4**	*4.5*	*3.7*	*4.2*
World	100.0	3.7	3.3	3.5	3.4	**3.0**	**3.3**	**3.3**	*3.4*	*2.8*	*3.2*
World excluding EU	86.0	3.7	3.7	3.9	3.8	**3.2**	**3.6**	**3.6**	*3.7*	*3.1*	*3.5*
World excluding euro area	88.5	3.7	3.6	3.8	3.7	**3.2**	**3.6**	**3.6**	*3.7*	*3.1*	*3.5*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2025.

Table 53: World exports of goods and services, volume (percentage change on preceding year, 2022-2028) 03.11.2026

						Autumn 2026 Forecast			*Spring 2026 Forecast*		
	(a)	2022	2023	2024	2025	2026	2027	2028	*2025*	*2026*	*2027*
EU (b)	30.9	7.4	-0.4	1.5	2.1	**3.2**	**2.8**	**2.3**	*2.3*	*0.9*	*2.1*
Euro area (21) (b)	25.7	7.4	-1.1	1.3	1.7	**3.0**	**2.8**	**2.3**	*2.0*	*0.7*	*2.0*
Candidate Countries	1.7	2.4	-1.7	1.7	-0.7	**-1.3**	**3.3**	**4.1**	*-0.5*	*1.2*	*4.5*
- Albania	0.0	17.0	8.6	0.1	7.4	**4.1**	**3.7**	**3.5**	*7.4*	*3.5*	*3.4*
- Bosnia and Herzegovina	0.0	11.8	-1.2	-1.6	2.5	**3.0**	**2.7**	**2.5**	*2.5*	*1.6*	*1.8*
- Georgia	0.1	37.4	9.5	5.9	7.0	**5.7**	**5.5**	**5.0**	*7.0*	*6.4*	*6.5*
- Moldova	0.0	29.7	4.8	-4.3	4.4	**9.1**	**7.5**	**8.5**	*4.4*	*5.9*	*9.5*
- Montenegro	0.0	19.3	9.0	-4.0	-4.6	**2.7**	**3.0**	**3.3**	*-4.6*	*2.4*	*3.1*
- North Macedonia	0.0	10.6	-3.0	-4.0	6.1	**8.0**	**5.5**	**5.0**	*6.1*	*5.4*	*4.6*
- Serbia	0.2	17.0	2.7	5.2	5.7	**3.7**	**5.4**	**1.3**	*5.6*	*4.1*	*5.9*
- Türkiye	1.2	10.5	-2.3	0.4	-0.6	**-3.3**	**3.0**	**3.4**	*-0.3*	*0.1*	*3.5*
- Ukraine	0.2	-42.0	-5.9	10.3	-12.8	**0.2**	**1.9**	**12.3**	*-12.8*	*3.1*	*10.9*
Iceland	0.0	26.1	4.6	-1.6	1.5	**0.2**	**3.8**	**3.4**	*1.0*	*0.3*	*3.8*
Norway	0.7	4.9	0.9	5.8	2.7	**2.9**	**2.2**	**2.1**	*2.4*	*1.3*	*0.7*
Switzerland	2.4	7.0	-2.7	1.7	4.8	**2.2**	**2.5**	**2.5**	*4.8*	*1.0*	*2.0*
Australia	1.3	2.6	6.9	1.3	2.6	**2.9**	**3.9**	**3.6**	*2.6*	*4.1*	*3.4*
Canada	2.1	4.6	6.3	0.9	-1.4	**2.2**	**1.9**	**2.0**	*-1.7*	*1.0*	*2.2*
Japan	2.8	5.3	3.1	2.2	2.5	**2.1**	**2.0**	**1.5**	*2.9*	*0.4*	*1.0*
Korea	2.5	4.0	3.5	7.6	4.3	**10.0**	**4.3**	**2.4**	*4.2*	*6.2*	*2.6*
United Kingdom	3.5	14.9	-1.3	-0.9	1.2	**3.0**	**2.1**	**1.5**	*2.1*	*0.7*	*1.2*
United States	9.8	7.6	2.8	3.6	2.1	**4.1**	**3.8**	**3.5**	*1.6*	*2.6*	*2.2*
Advanced economies	65.4	6.1	0.6	2.5	3.5	**4.4**	**3.2**	**2.7**	*3.2*	*1.7*	*2.3*
Emerging and Developing Asia	19.6	2.4	1.2	10.0	8.7	**7.1**	**5.5**	**4.4**	*8.0*	*3.7*	*3.3*
- China	12.1	-0.5	1.6	12.1	9.1	**7.5**	**5.7**	**3.8**	*8.6*	*3.9*	*2.5*
- India	2.5	10.3	1.1	4.9	6.4	**5.0**	**4.8**	**5.0**	*6.5*	*3.9*	*5.6*
- Indonesia	0.9	1.0	4.4	1.8	6.7	**2.6**	**3.3**	**4.0**	*5.2*	*2.1*	*2.7*
Easter Neighbourhood and Central Asia	0.7	6.6	12.6	3.7	0.8	**6.9**	**4.1**	**3.8**	*0.6*	*4.7*	*2.7*
Russia	1.4	-13.8	-11.0	3.0	-0.9	**-0.3**	**-0.8**	**0.0**	*-0.9*	*0.9*	*-0.4*
Latin America	5.4	7.7	-1.2	4.6	6.0	**5.6**	**4.2**	**4.3**	*5.8*	*2.9*	*3.9*
- Argentina	0.3	-4.9	-15.1	33.3	12.0	**10.2**	**4.5**	**5.7**	*11.5*	*3.0*	*3.4*
- Brazil	1.2	6.1	9.5	3.3	6.6	**3.8**	**5.4**	**5.2**	*4.9*	*3.7*	*4.4*
- Mexico	2.1	9.5	-7.1	3.5	6.9	**8.2**	**4.2**	**4.0**	*7.7*	*2.0*	*3.3*
MENA	6.2	13.1	3.2	2.2	8.4	**-13.2**	**14.9**	**6.7**	*7.3*	*-3.5*	*9.5*
- Saudi Arabia	1.1	20.9	-5.7	-0.4	11.4	**-18.9**	**21.6**	**9.0**	*12.2*	*1.1*	*8.4*
Sub-Saharan Africa	1.3	6.5	1.7	1.3	4.0	**3.5**	**4.7**	**3.1**	*5.3*	*5.5*	*4.3*
- South Africa	0.4	7.8	5.1	-2.8	-2.5	**1.2**	**1.5**	**1.7**	*-1.1*	*1.2*	*1.7*
Emerging and developing economies	34.6	4.1	0.8	6.9	7.5	**2.8**	**6.4**	**4.5**	*6.9*	*2.3*	*4.4*
World	100.0	5.5	0.7	4.0	4.9	**3.8**	**4.3**	**3.4**	*4.5*	*1.9*	*3.0*
World excluding EU	69.1	4.6	1.2	5.1	6.1	**4.1**	**5.0**	**3.8**	*5.5*	*2.3*	*3.4*
World excluding euro area	74.3	4.8	1.3	4.9	5.9	**4.1**	**4.8**	**3.7**	*5.3*	*2.3*	*3.3*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2025.

(b) Intra- and extra-EU trade.

Table 54: Shares of main trading partners in goods export of EU and Member States (2024) 03.11.2026

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	61.2	49.4	2.9	7.9	5.3	1.0	7.5	3.7	1.0	0.5	3.1	2.5	1.2
Euro area (21 countries)	59.3	48.1	2.7	8.5	5.5	1.1	7.9	4.0	1.1	0.5	3.3	2.7	1.3
Belgium	69.4	61.7	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	66.0	3.1	2.7	3.1	0.5	3.4	1.6	0.4	0.3	1.5	1.2	0.4
Denmark	56.3	39.3	1.6	8.5	5.3	1.7	11.2	4.3	1.5	0.2	2.5	3.5	1.4
Germany	54.7	38.8	2.8	9.7	5.2	1.3	9.6	6.3	1.3	0.5	2.4	3.0	0.9
Estonia	73.6	56.7	2.4	3.3	2.1	0.8	7.4	1.6	0.4	2.4	1.2	1.2	0.6
Ireland	39.6	36.5	0.6	28.2	9.9	2.1	5.5	5.5	2.0	0.4	1.6	2.0	0.5
Greece	52.5	45.0	10.8	3.9	3.8	1.0	3.9	1.1	1.4	0.2	12.7	1.3	1.3
Spain	62.4	56.1	2.8	5.3	5.9	1.0	5.2	2.1	0.8	0.3	5.6	5.1	1.2
France	53.6	47.1	2.4	7.9	6.7	1.3	9.7	4.9	1.4	0.4	4.9	2.5	1.7
Croatia	67.4	53.9	17.0	3.3	1.6	0.3	2.9	0.5	0.6	1.1	1.8	0.6	1.5
Italy	50.6	42.1	3.7	10.8	4.3	1.5	10.3	3.6	1.2	0.8	5.7	3.4	1.0
Cyprus	30.9	24.8	0.9	2.0	5.3	0.0	5.2	0.6	7.5	0.3	27.2	8.9	5.3
Latvia	65.9	50.6	3.8	2.7	4.8	0.3	4.1	1.1	0.4	6.6	1.2	0.7	3.8
Lithuania	63.4	45.1	5.1	5.1	4.0	0.3	5.3	0.4	0.6	3.3	2.3	1.1	2.2
Luxembourg	76.0	69.0	1.8	3.2	3.4	0.4	6.4	1.3	0.5	0.1	2.5	1.9	0.7
Hungary	75.7	59.6	5.1	4.9	2.8	0.7	3.1	2.0	0.5	0.8	1.3	1.7	0.3
Malta	38.6	33.6	1.1	3.0	2.6	3.2	14.2	5.6	1.0	0.0	7.0	2.2	19.6
Netherlands	71.3	61.1	1.2	4.7	6.8	0.5	5.7	2.4	0.6	0.3	1.8	1.7	1.4
Austria	68.2	53.9	2.2	7.6	2.6	0.9	8.5	2.9	0.8	0.6	1.5	2.2	0.6
Poland	74.9	60.1	4.7	3.4	4.9	0.3	3.6	1.1	0.4	0.9	1.6	1.4	0.8
Portugal	65.9	60.6	1.9	7.2	4.8	0.6	5.2	2.2	0.3	0.2	3.8	2.8	3.8
Romania	68.8	56.3	9.1	3.1	3.8	1.1	3.1	1.8	0.7	0.3	5.0	1.1	0.4
Slovenia	59.5	46.3	5.9	3.4	1.2	0.4	22.6	0.7	0.4	1.7	1.7	0.6	0.2
Slovakia	74.7	44.7	3.5	5.7	3.3	0.4	3.4	4.4	0.1	0.4	2.0	1.0	0.3
Finland	55.8	38.9	2.3	9.8	3.4	1.7	9.7	5.2	1.5	0.8	2.2	3.0	1.3
Sweden	55.9	42.8	1.8	9.0	5.1	1.2	13.1	4.2	0.9	0.4	2.7	2.6	1.0

Table 55: World imports of goods and services, volume (percentage change on preceding year, 2022-2028) 03.11.2026

						Autumn 2026 Forecast			*Spring 2026 Forecast*		
	(a)	2022	2023	2024	2025	2026	2027	2028	*2025*	*2026*	*2027*
EU (b)	29.8	8.4	-1.7	1.1	3.5	**3.2**	**2.6**	**2.3**	*3.7*	*1.7*	*2.2*
Euro area 21 (b)	24.7	8.5	-1.9	0.7	3.4	**3.0**	**2.4**	**2.3**	*3.7*	*1.6*	*2.1*
Candidate Countries	2.0	5.0	9.1	0.4	5.7	**1.4**	**4.3**	**3.9**	*5.9*	*3.6*	*4.2*
- Albania	0.0	11.5	0.2	6.0	3.6	**4.7**	**3.5**	**3.5**	*4.1*	*3.7*	*3.9*
- Bosnia and Herzegovina	0.1	6.2	-1.3	4.7	5.3	**4.4**	**2.5**	**2.3**	*4.8*	*2.9*	*2.6*
- Georgia	0.1	16.9	10.0	8.5	5.7	**3.8**	**5.4**	**5.2**	*5.7*	*7.0*	*6.0*
- Moldova	0.0	18.2	-5.1	5.7	12.6	**5.9**	**7.5**	**9.1**	*12.6*	*8.0*	*9.9*
- Montenegro	0.0	23.3	8.2	5.7	5.0	**2.8**	**2.9**	**2.8**	*2.5*	*3.8*	*3.1*
- North Macedonia	0.0	13.6	-10.2	-1.4	6.7	**8.1**	**5.1**	**4.5**	*6.7*	*5.9*	*5.0*
- Serbia	0.2	16.1	-1.4	8.0	7.8	**4.4**	**4.4**	**2.0**	*8.0*	*5.4*	*5.3*
- Türkiye	1.2	8.3	12.1	-4.1	4.6	**-1.4**	**3.5**	**3.9**	*4.9*	*2.2*	*3.9*
- Ukraine	0.3	-17.4	8.9	12.5	8.3	**7.2**	**7.0**	**4.4**	*8.3*	*6.4*	*4.1*
Iceland	0.0	22.6	-1.9	4.2	7.3	**-1.1**	**3.1**	**2.9**	*7.2*	*-0.9*	*2.5*
Norway	0.5	13.7	-1.2	5.0	2.6	**1.9**	**3.1**	**3.6**	*2.6*	*1.9*	*1.2*
Switzerland	2.2	6.2	0.0	0.6	9.7	**1.9**	**2.4**	**2.4**	*9.7*	*1.1*	*2.1*
Australia	1.3	13.6	6.7	5.8	3.9	**5.8**	**2.0**	**2.0**	*3.0*	*4.2*	*2.5*
Canada	2.3	7.6	1.2	0.7	-0.3	**2.2**	**1.8**	**2.1**	*-0.4*	*1.1*	*1.9*
Japan	3.0	8.0	-0.4	1.7	3.8	**0.3**	**2.5**	**1.8**	*4.0*	*1.5*	*2.1*
Korea	2.3	4.0	2.2	3.8	3.3	**7.5**	**4.2**	**2.3**	*3.8*	*4.5*	*2.6*
United Kingdom	3.8	13.9	-2.4	1.7	3.7	**2.7**	**1.0**	**1.6**	*4.1*	*1.2*	*1.2*
United States	12.9	8.2	-0.8	5.9	3.6	**5.2**	**6.4**	**2.8**	*2.7*	*1.1*	*2.5*
Advanced economies	67.1	7.4	-0.7	2.8	4.7	**4.2**	**3.6**	**2.6**	*4.2*	*1.9*	*2.5*
Emerging and Developing Asia	18.0	1.1	2.6	6.6	3.8	**6.2**	**5.5**	**4.9**	*3.2*	*3.8*	*3.5*
- China	10.1	-3.4	6.1	5.4	1.5	**6.4**	**5.9**	**4.8**	*0.5*	*3.6*	*2.6*
- India	3.0	8.9	-0.2	5.7	4.6	**4.2**	**4.4**	**4.5**	*6.4*	*3.9*	*5.0*
- Indonesia	0.9	8.3	-3.3	6.2	4.9	**5.7**	**4.6**	**5.0**	*3.5*	*4.1*	*5.0*
Eastern Neighbourhood and Central Asia	0.8	9.4	23.4	6.3	6.2	**5.7**	**5.0**	**4.1**	*5.9*	*5.3*	*4.8*
Russia	1.2	-14.3	13.0	0.0	1.0	**0.5**	**0.7**	**0.9**	*1.0*	*0.7*	*0.9*
Latin America	5.6	7.0	1.7	5.5	6.5	**5.7**	**4.2**	**3.9**	*4.8*	*3.4*	*3.7*
- Argentina	0.3	10.5	5.9	-14.3	24.0	**-1.6**	**10.7**	**5.2**	*23.6*	*4.0*	*4.2*
- Brazil	1.2	1.0	0.7	18.0	5.4	**1.9**	**1.2**	**1.6**	*4.9*	*1.9*	*2.1*
- Mexico	2.3	8.6	4.8	3.8	3.7	**9.2**	**4.0**	**3.8**	*1.6*	*2.9*	*3.2*
MENA	5.8	12.5	9.6	5.4	6.9	**-4.4**	**8.0**	**4.4**	*4.7*	*-1.0*	*8.2*
- Saudi Arabia	1.1	18.0	16.3	9.6	3.4	**-5.4**	**7.9**	**4.2**	*5.2*	*3.1*	*5.6*
Sub-Saharan Africa	1.5	8.8	-1.6	2.5	7.6	**4.8**	**3.3**	**4.5**	*3.9*	*5.3*	*4.4*
- South Africa	0.4	15.0	3.9	-6.4	1.1	**2.1**	**2.6**	**3.1**	*-0.7*	*2.1*	*2.6*
Emerging and Developing Economies	32.9	3.5	4.1	5.8	4.9	**3.9**	**5.4**	**4.5**	*3.8*	*2.8*	*4.3*
World	100.0	6.1	0.9	3.8	4.8	**4.1**	**4.2**	**3.2**	*4.0*	*2.2*	*3.1*
World excluding EU	70.2	5.2	2.0	4.9	5.3	**4.5**	**4.9**	**3.6**	*4.2*	*2.5*	*3.5*
World excluding euro area	75.3	5.3	1.8	4.8	5.2	**4.5**	**4.8**	**3.5**	*4.2*	*2.5*	*3.4*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2025.

(b) Intra- and extra-EU trade.

Table 56: Shares of main trading partners in goods imports of EU and member states (2024) 03.11.2026

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	62.0	49.9	2.4	5.3	3.0	1.1	7.0	7.6	2.0	0.9	3.0	1.9	1.3
Euro area (21 countries)	60.4	48.8	2.2	5.8	3.3	1.1	7.1	7.5	2.1	0.8	3.4	2.1	1.5
Belgium	62.3	56.3	1.1	7.2	4.0	1.7	6.8	6.3	1.7	0.7	2.4	1.9	1.6
Bulgaria	62.1	43.1	13.9	1.0	0.9	0.3	2.7	5.2	1.0	5.9	1.7	2.0	0.5
Czechia	74.6	58.1	2.2	1.9	1.3	1.1	3.6	9.9	1.7	1.4	0.3	0.4	0.2
Denmark	68.5	48.8	1.3	4.5	2.5	0.5	9.7	6.6	1.9	0.3	0.5	1.8	0.3
Germany	66.0	46.6	2.3	5.2	2.5	1.3	8.2	6.9	2.2	0.2	1.4	1.4	0.9
Estonia	83.4	63.2	1.3	1.4	1.3	0.7	2.9	3.9	0.6	1.0	0.4	0.5	0.7
Ireland	39.8	35.7	0.7	14.7	23.2	1.4	7.4	5.2	1.5	0.0	0.8	1.3	0.3
Greece	48.7	42.5	5.6	1.9	1.4	0.4	3.5	11.3	0.9	2.7	13.2	1.7	0.9
Spain	56.2	49.4	2.8	5.5	2.5	0.8	3.9	8.5	2.1	0.6	6.3	5.0	2.9
France	65.5	58.0	1.5	5.8	3.6	0.8	6.0	5.5	1.5	0.4	4.7	1.1	1.5
Croatia	75.4	60.2	8.6	2.6	0.4	0.2	1.7	4.5	0.5	0.2	0.9	0.7	0.9
Italy	56.0	47.2	3.0	4.3	1.7	0.9	6.3	7.5	1.8	1.8	7.5	1.8	1.3
Cyprus	61.4	56.4	2.7	1.2	7.0	4.0	4.6	6.3	1.4	0.2	2.7	2.2	0.3
Latvia	77.1	59.7	2.5	2.3	1.3	0.1	2.9	3.5	1.3	4.2	0.3	1.3	0.3
Lithuania	70.9	48.3	2.5	6.5	2.0	0.2	6.4	4.2	0.5	0.7	3.5	0.4	0.2
Luxembourg	85.2	80.8	0.9	5.2	1.6	1.7	2.5	1.2	0.5	0.0	0.3	0.2	0.3
Hungary	71.4	55.2	3.8	1.8	1.0	1.2	7.2	7.2	1.4	3.5	0.3	0.4	0.1
Malta	44.3	42.2	5.3	2.4	3.2	1.0	12.5	7.7	1.1	1.3	15.7	1.9	0.2
Netherlands	42.1	35.5	1.1	9.9	4.4	1.7	9.1	13.8	4.0	1.0	2.5	3.8	2.8
Austria	77.9	64.4	2.2	2.5	1.0	0.7	6.8	2.8	1.7	1.6	1.1	0.3	0.1
Poland	67.3	56.2	3.1	2.9	1.8	1.0	6.4	9.4	1.6	0.6	2.9	1.2	0.4
Portugal	73.7	68.5	1.5	2.1	1.3	0.5	3.8	5.1	1.0	0.2	2.2	4.1	2.7
Romania	71.8	55.0	9.6	1.1	1.0	0.4	2.5	5.7	0.7	0.3	2.0	0.6	0.2
Slovenia	49.7	41.2	7.5	0.5	0.4	0.3	22.7	12.1	0.9	0.2	1.9	0.9	0.2
Slovakia	80.6	43.2	2.6	0.5	1.2	0.1	4.4	4.0	1.7	3.7	0.5	0.1	0.0
Finland	71.4	45.1	1.1	3.7	2.0	0.5	10.9	4.4	0.9	1.6	0.4	2.0	0.2
Sweden	68.7	54.2	1.2	4.1	3.2	0.8	12.0	5.3	1.6	0.0	0.7	0.9	0.6

Table 57 World merchandise trade balances (fob-fob, in billions of US dollar, 2021-2028) 03.11.2026

						Autumn 2026 Forecast			*Spring 2026 Forecast*		
	2021	2022	2023	2024	2025	2026	2027	2028	*2025*	*2026*	*2027*
EU	356.8	-28.3	337.1	423.2	372.6	**269.0**	**259.5**	**333.7**	*436.0*	*256.4*	*263.4*
EU, adjusted[1)]	307.8	-137.0	280.7	374.3	402.1	**299.0**	**288.8**	**362.9**	*436.7*	*257.2*	*264.2*
Euro area (21)	355.9	17.9	296.0	377.1	328.2	**256.9**	**251.7**	**316.4**	*396.4*	*243.5*	*246.1*
Euro area 21, adjusted[1)]	334.6	-61.8	270.5	354.4	372.0	**301.5**	**295.1**	**359.8**	*409.0*	*256.7*	*259.3*
Candidate Countries	-68.9	-145.1	-151.5	-133.7	-156.9	**-180.6**	**-198.3**	**-212.9**	*-161.3*	*-193.9*	*-214.2*
- Albania	-4.5	-4.5	-5.0	-6.0	-6.5	**-7.1**	**-7.5**	**-7.8**	*-6.5*	*-7.2*	*-7.6*
- Bosnia and Herzegovina	-4.3	-5.5	-5.7	-6.5	-7.1	**-8.0**	**-8.1**	**-8.5**	*-7.2*	*-8.0*	*-8.4*
- Georgia	-3.8	-5.1	-6.1	-6.6	-6.8	**-7.0**	**-7.8**	**-8.5**	*-6.8*	*-8.4*	*-9.1*
- Moldova	-4.2	-5.2	-4.9	-5.6	-7.0	**-7.7**	**-8.4**	**-9.4**	*-7.0*	*-8.2*	*-9.2*
- Montenegro	-2.3	-2.8	-3.2	-3.6	-4.2	**-4.6**	**-4.7**	**-4.9**	*-4.2*	*-4.7*	*-5.0*
- North Macedonia	-2.8	-3.7	-2.8	-3.3	-3.8	**-4.5**	**-4.6**	**-4.8**	*-3.8*	*-4.3*	*-4.5*
- Serbia	-6.7	-9.5	-6.9	-7.1	-7.1	**-8.4**	**-9.0**	**-9.1**	*-7.0*	*-9.4*	*-9.0*
- Türkiye	-32.8	-93.0	-86.8	-62.7	-67.7	**-76.7**	**-86.1**	**-97.9**	*-67.5*	*-85.9*	*-103.5*
- Ukraine	-7.4	-15.8	-30.1	-32.2	-46.8	**-56.5**	**-62.0**	**-62.1**	*-51.4*	*-57.9*	*-57.9*
Iceland	-1.0	-1.5	-2.1	-2.3	-3.0	**-3.1**	**-3.2**	**-3.3**	*-3.0*	*-3.1*	*-3.1*
Norway	72.4	167.0	79.5	70.2	68.5	**92.4**	**94.9**	**97.0**	*68.5*	*83.5*	*79.8*
Switzerland	126.3	132.1	117.5	131.0	108.9	**114.4**	**116.6**	**121.0**	*108.9*	*114.2*	*114.3*
Australia	86.1	112.2	83.7	44.3	28.6	**14.6**	**18.7**	**21.3**	*28.6*	*30.3*	*31.4*
Canada	3.0	15.5	-0.8	-5.3	-23.0	**-9.0**	**-9.3**	**-11.5**	*-22.0*	*9.8*	*-10.3*
Japan	16.0	-118.3	-47.1	-17.9	-3.8	**8.4**	**11.1**	**21.6**	*-5.7*	*-21.5*	*-19.2*
Korea	79.7	18.3	44.6	110.9	138.1	**280.4**	**302.9**	**304.1**	*138.1*	*147.7*	*138.7*
United Kingdom	-209.2	-239.1	-230.1	-253.1	-309.0	**-350.3**	**-356.5**	**-362.1**	*-320.4*	*-358.9*	*-370.5*
United States	-1094.4	-1187.9	-1069.3	-1207.8	-1248.5	**-1400.9**	**-1593.7**	**-1648.0**	*-1237.6*	*-1193.7*	*-1232.9*
Advanced economies	-426.0	-1057.4	-603.5	-573.6	-682.9	**-765.3**	**-933.8**	**-880.6**	*-631.2*	*-796.5*	*-857.0*
Emerging and Developing Asia	430.5	464.1	427.3	582.9	797.5	**900.4**	**928.0**	**946.9**	*757.8*	*696.7*	*676.9*
- China	536.7	650.9	600.0	809.1	1060.6	**1207.4**	**1235.1**	**1271.3**	*960.5*	*973.8*	*979.5*
- India	-189.5	-265.3	-244.9	-286.9	-337.3	**-381.3**	**-395.8**	**-420.9**	*-273.7*	*-320.8*	*-341.4*
- Indonesia	43.8	62.7	46.3	39.8	49.8	**42.7**	**37.6**	**37.4**	*49.8*	*48.2*	*45.6*
Eastern Neighbourhood and Central Asia	25.7	50.3	11.4	4.9	-9.7	**12.4**	**3.6**	**0.2**	*-13.2*	*-7.1*	*-10.2*
Russia	192.6	309.2	121.9	133.0	117.2	**228.8**	**207.3**	**107.0**	*117.7*	*190.6*	*143.8*
Latin America	21.3	-24.0	39.5	44.5	52.0	**89.4**	**89.9**	**88.9**	*48.7*	*98.3*	*139.6*
- Argentina	18.7	12.4	-2.8	22.4	15.4	**27.3**	**28.7**	**30.4**	*15.4*	*18.8*	*19.8*
- Brazil	42.3	51.5	92.3	65.8	59.7	**76.5**	**82.3**	**88.1**	*59.7*	*78.8*	*98.6*
- Mexico	-10.7	-28.3	-12.4	-18.5	0.2	**0.3**	**0.3**	**0.3**	*0.8*	*13.7*	*17.9*
MENA	268.8	502.4	313.5	233.9	181.0	**144.2**	**176.4**	**147.2**	*141.8*	*180.0*	*177.0*
- Saudi Arabia	138.0	237.2	130.3	92.0	81.4	**89.9**	**99.1**	**91.4**	*73.6*	*96.5*	*99.8*
Sub-Saharan Africa	35.1	34.3	14.0	28.2	31.1	**40.6**	**51.6**	**51.4**	*46.0*	*68.8*	*90.3*
- South Africa	30.8	14.6	7.5	11.7	12.0	**10.7**	**10.2**	**7.7**	*11.9*	*9.2*	*7.8*
Emerging and Developing Economies	974.1	1336.3	927.7	1027.4	1169.1	**1415.9**	**1456.8**	**1341.6**	*1098.7*	*1227.3*	*1217.4*
World	548.1	278.9	324.2	453.8	486.2	**650.6**	**523.0**	**461.0**	*467.6*	*430.8*	*360.3*
World excluding EU	191.3	307.2	-12.9	30.6	113.5	**381.6**	**263.5**	**127.3**	*31.6*	*174.4*	*97.0*
World excluding euro area	188.7	255.7	23.9	71.2	146.7	**378.3**	**256.1**	**128.7**	*60.7*	*174.3*	*100.5*

1) See note 8 on concepts and sources.

Table 58: World current-account balances (in billions of US dollar, 2021-2028) 03.11.2026

						Autumn 2026 Forecast			Spring 2026 Forecast		
	2021	2022	2023	2024	2025	2026	2027	2028	2025	2026	2027
EU	543.8	129.0	456.9	611.9	500.0	**445.3**	**437.8**	**520.7**	*505.3*	*379.2*	*384.2*
EU, adjusted [1)]	490.2	20.6	378.4	486.7	408.8	**352.4**	**347.4**	**430.3**	*412.8*	*283.1*	*288.0*
Euro area (21)	511.6	137.3	393.1	537.9	432.7	**403.5**	**397.6**	**472.5**	*443.4*	*337.6*	*339.2*
Euro area 21, adjusted [1)]	409.0	-18.6	285.4	423.6	311.1	**279.6**	**277.0**	**351.9**	*311.8*	*200.9*	*202.4*
Candidate Countries	-18.1	-46.8	-49.6	-36.6	-75.6	**-76.5**	**-82.8**	**-99.7**	*-75.9*	*-93.2*	*-108.1*
- Albania	-1.4	-1.1	-0.3	-0.7	-0.2	**-0.4**	**-0.6**	**-0.8**	*-0.2*	*-0.5*	*-0.7*
- Bosnia and Herzegovina	-0.3	-1.1	-0.6	-1.0	-1.3	**-1.8**	**-1.7**	**-1.8**	*-1.4*	*-1.5*	*-1.6*
- Georgia	-1.9	-1.1	-1.7	-1.8	-1.3	**-0.9**	**-1.2**	**-1.3**	*-1.0*	*-1.7*	*-1.5*
- Moldova	-1.3	-2.4	-1.9	-3.0	-4.1	**-4.5**	**-4.5**	**-4.8**	*-4.0*	*-4.8*	*-5.0*
- Montenegro	-0.5	-0.8	-0.8	-1.4	-1.9	**-2.0**	**-2.1**	**-2.1**	*-1.9*	*-2.0*	*-2.0*
- North Macedonia	-0.4	-0.8	0.1	-0.4	-0.8	**-1.2**	**-1.1**	**-1.0**	*-0.8*	*-1.1*	*-1.0*
- Serbia	-2.7	-4.4	-2.1	-4.2	-4.8	**-5.3**	**-5.5**	**-6.4**	*-4.8*	*-6.6*	*-5.8*
- Türkiye	-5.7	-43.0	-32.6	-9.2	-31.3	**-42.8**	**-47.0**	**-51.2**	*-30.0*	*-54.1*	*-69.2*
- Ukraine	-3.8	8.0	-9.6	-14.9	-29.8	**-17.7**	**-19.0**	**-30.2**	*-31.7*	*-21.1*	*-21.2*
Iceland	-0.5	-0.5	-0.4	-1.1	-1.5	**-1.0**	**-0.9**	**-0.7**	*-1.4*	*-1.5*	*-1.4*
Norway	66.8	175.3	85.3	75.1	74.0	**98.3**	**100.6**	**101.8**	*73.5*	*84.9*	*80.5*
Switzerland	24.7	44.6	16.9	90.7	59.8	**62.1**	**62.6**	**67.6**	*70.0*	*78.8*	*78.7*
Australia	37.7	4.1	-7.7	-40.4	-48.1	**-63.3**	**-61.8**	**-61.9**	*-48.1*	*-45.3*	*-45.1*
Canada	-0.4	-9.7	-15.2	-11.1	-22.3	**-10.1**	**-10.5**	**-12.8**	*-20.6*	*5.9*	*-14.3*
Japan	195.5	87.3	158.7	189.5	221.7	**189.6**	**180.9**	**181.7**	*218.3*	*144.8*	*138.2*
Korea	83.9	23.2	32.5	100.0	123.1	**264.3**	**283.4**	**283.0**	*123.1*	*127.3*	*114.4*
United Kingdom	-26.9	-64.4	-87.4	-107.7	-120.8	**-143.0**	**-137.6**	**-132.8**	*-97.2*	*-114.5*	*-115.4*
United States	-867.9	-981.7	-941.4	-1193.6	-1166.9	**-1287.1**	**-1503.0**	**-1542.7**	*-1134.7*	*-1123.3*	*-1218.8*
Advanced economies	270.7	-426.5	-145.1	-68.8	-128.7	**-116.4**	**-311.2**	**-247.9**	*-64.9*	*-227.4*	*-350.0*
Emerging and Developing Asia	251.7	329.5	255.2	460.4	746.4	**787.6**	**827.0**	**866.2**	*635.3*	*541.8*	*552.8*
- China	297.4	404.1	257.0	462.3	735.0	**818.1**	**844.1**	**874.5**	*639.5*	*617.8*	*625.0*
- India	-38.8	-67.1	-26.0	-22.9	-27.4	**-59.2**	**-57.6**	**-57.0**	*-34.5*	*-72.0*	*-61.0*
- Indonesia	3.5	13.2	-2.0	-8.6	-1.5	**-13.6**	**-19.6**	**-20.9**	*-1.5*	*-8.0*	*-11.9*
Easter Neighbourhood and Central Asia	4.5	31.8	-12.2	-11.2	-19.7	**-8.4**	**-14.5**	**-17.4**	*-18.2*	*0.9*	*-15.5*
Russia	124.9	235.8	49.4	62.6	38.7	**150.4**	**129.0**	**28.6**	*43.2*	*116.2*	*68.8*
Latin America	-89.7	-130.1	-77.1	-76.3	-78.2	**-61.7**	**-72.2**	**-77.5**	*-83.6*	*-34.5*	*0.6*
- Argentina	6.6	-4.0	-22.4	5.9	-7.8	**5.0**	**3.5**	**4.6**	*-7.6*	*-3.1*	*-2.9*
- Brazil	-39.4	-42.0	-27.0	-65.3	-67.4	**-58.7**	**-58.0**	**-57.6**	*-69.0*	*-42.3*	*-22.8*
- Mexico	-4.5	-15.0	-10.2	-16.8	-9.4	**-6.3**	**-6.7**	**-7.3**	*-8.2*	*6.8*	*10.5*
MENA	163.7	412.3	228.2	156.4	82.2	**-15.9**	**58.4**	**39.9**	*57.7*	*70.2*	*40.8*
- Saudi Arabia	44.9	145.3	25.9	-16.3	-32.7	**-40.6**	**-15.7**	**-25.6**	*-35.9*	*-12.4*	*-33.8*
Sub-Saharan Africa	-2.2	-19.8	-26.1	-4.2	-5.3	**-0.2**	**-0.7**	**-5.2**	*0.3*	*17.7*	*28.2*
- South Africa	15.8	-1.2	-4.2	-2.6	-1.8	**-2.7**	**-3.6**	**-5.9**	*-1.9*	*-4.2*	*-5.4*
Emerging and Developing Economies	453.0	859.4	417.4	587.7	764.1	**851.7**	**927.1**	**834.6**	*634.7*	*712.3*	*675.8*
World	723.8	432.9	272.4	518.9	635.4	**735.3**	**615.9**	**586.7**	*569.8*	*484.9*	*325.8*
World excluding EU	180.0	303.9	-184.5	-93.0	135.4	**290.0**	**178.1**	**66.0**	*64.4*	*105.7*	*-58.4*
World excluding euro area	212.2	295.6	-120.8	-19.0	202.7	**331.8**	**218.3**	**114.2**	*126.4*	*147.3*	*-13.4*

1) See note 8 on concepts and sources.

Table 59: Crude oil prices, 2021-2028 03.11.2026

						Autumn 2026 Forecast			Spring 2026 Forecast	
	2021	2022	2023	2024	2025	2026	2027	2028	2026	2027
Annual percentage change (USD)	69.3	42.5	-18.1	-2.5	-14.5	44.2	**-4.0**	**-14.2**	*32.5*	*-14.3*
Price per barrel										
- Brent (USD)	70.7	100.7	82.5	80.5	68.9	99.3	**95.4**	**81.8**	*91.2*	*78.2*
- Brent (EUR)	59.8	95.8	76.3	74.4	60.9	86.3	**85.1**	**73.0**	*77.8*	*66.6*

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2025 are based on outturns as far as available at the cut-off date of this forecast. Data for, 2026 and 2027 are forecasts. The source for all tables is the European Commission, unless otherwise stated. Historical data for the Member States are based on the European System of Accounts (ESA 2010). US national accounts and Japanese national accounts are based on SNA 2008. Due to differences in revision schedules of annual and quarterly national accounts, annual and quarterly figures may not be fully consistent for some Member States. In order to 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 :

EA21 (BE, BG, DE, EE, IE, EL, ES, FR, HR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI)

European Union :

EU (EA21, CZ, DK, HU, PL, RO, and SE).

Candidate countries :

Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine

Advanced economies :

EU, United Kingdom, candidate countries, Iceland, Norway, Switzerland, Australia, Canada, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan and the United States

Emerging and developing Asia:

All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

Latin America :

All countries in that region.

MENA (Middle East and Northern Africa) :

Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, Lybia, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

Sub-Saharan Africa :

All countries in that region except the African MENA countries.

Eastern Neighbourhood and Central Asia:

Armenia, Azerbaijan, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan.

PREVIOUS EUROPEAN ECONOMIC FORECASTS

1. Forecast publications (2021-2026)

Spring 2026: Growth slows down as energy shock drives up inflation	*May 2026*
Autumn 2025: Continued growth despite challenging environment	*November 2025*
Spring 2025: Moderate growth amid global uncertainty	*May 2025*
Autumn 2024: a gradual rebound in an adverse environment	*November 2024*
Spring 2024: A gradual expansion amid high geopolitical risks	*May 2024*
Winter 2024: A delayed rebound in growth amid faster easing of inflation	*February 2024*
Autumn 2023: A modest recovery ahead after a challenging year	*November 2023*
Summer 2023: Easing growth momentum amid declining inflation and robust labour market	*September 2023*
Spring 2023: An improved outlook amid persistent challenges	*May 2023*
Winter 2023: EU Economy set to avoid recession, but headwinds persist	*February 2023*
Autumn 2022: The EU economy at a turning point	*November 2022*
Summer 2022: Russia's war worsens the outlook	*July 2022*
Spring 2022: Russian invasion tests EU economic resilience	*May 2022*
Winter 2022: Growth expected to regain traction after winter slowdown	*February 2022*
Autumn 2021: From recovery to expansion, amid headwinds	*November 2021*
Summer 2021: Reopening fuels recovery	*July 2021*
Spring 2021: Rolling up sleeves	*May 2021*
Winter 2021: A challenging winter, but light at the end of the tunnel	*February 2021*
Autumn 2020: Rebound interrupted	*November 2020*
Summer 2020: A deeper recession with wider divergences	*July 2020*
Spring 2020: A deep and uneven recession, an uncertain recovery	*May 2020*
Winter 2020: Offsetting forces confirm subdued growth	*February 2020*

2. Selected economic analyses (2021-2026)

How climate policies and energy shocks accelerated reduction in EU energy demand	*Spring 2026*
The AI-adoption divide: Who benefits, who doesn't, and what it means for workers	*May 2026*
Balancing inflation, output and fiscal sustainability: policy responses to energy shocks	
How do EU manufacturing firms navigate tensions, disruptions, and policy changes in foreign markets?	
Is the EU's labour market reaching a turning point?	
EU energy markets: evolving gas-electricity price linkages in a more volatile system	
Policy measures in EU Member States to address the 2026 energy price shock	

Deriving option-implied forecast densities	
The cost of EU Member States' proximity to the war	*Autumn 2025*
Migration, mobility and the EU labour market	*November 2025*
Trends in carbon intensity and the macroeconomic role of EU Emissions Trading System	
Spillovers to the EU from US tariffs imposed on third countries – model-based simulation	
The exposure of global and EU trade to US tariffs	
The financial health of non-financial corporations in the EU	
The role of EU funds over the forecast horizon	
What do selling price expectations tell us about the near-term pressures on consumer prices in the euro area	
The macroeconomic effect of US tariff hikes	Spring 2025
Business adjustment to tensions in foreign markets and drivers of consumers' views on the economy: survey evidence	*May 2025*
The economic impact of higher defence spending	
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	
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