EUROPEAN CENTRAL BANK

EUROSYSTEM

Outlook for the euro area economy

Richard Cantillon Lecture, 49th Annual DEW Economic Policy Conference

Wexford, 11 September 2026

Philip R. Lane
Member of the Executive Board

Projection comparison – September 2026 projections vs December 2025 projections

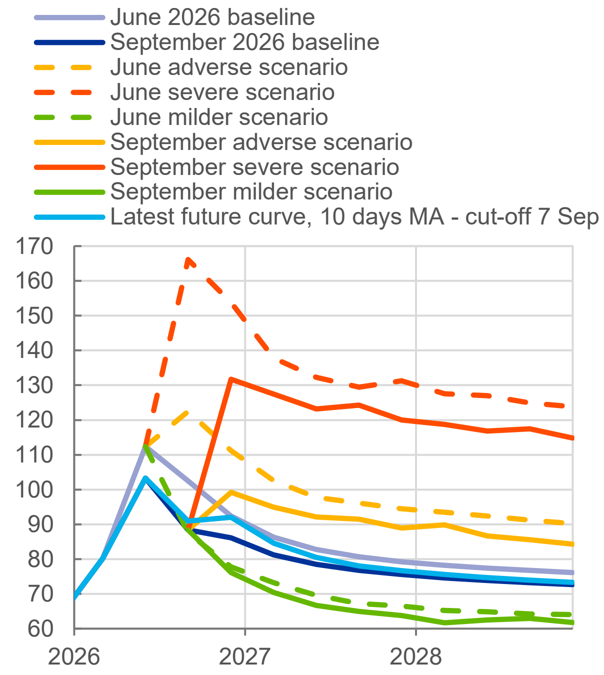
(annual percentage changes, revisions in percentage points)

	September 2026 projections (annual percentage changes)				vs December 2025 projections (percentage point changes)			
	2025	2026	2027	2028	2025	2026	2027	2028
World excl. EA GDP	3.7	3.1	3.3	3.4	0.2	-0.2	0.0	0.1
World excl. EA real import growth	5.4	4.7	4.5	3.5	1.0	2.7	1.4	0.4
Euro area foreign demand	4.6	3.6	4.0	3.4	0.8	1.7	0.9	0.4
Euro area competitor export prices	1.3	7.0	3.0	1.7	0.2	5.4	1.0	-0.3
	September 2026 projections (Q4-on-Q4 percentage changes)				**vs December 2025 projections (percentage point changes)**			
	Q4 25	**Q4 26**	**Q4 27**	**Q4 28**	**Q4 25**	**Q4 26**	**Q4 27**	**Q4 28**
World excl. EA GDP	3.6	2.7	3.5	3.3	0.6	-0.9	0.3	0.0
World excl. EA real import growth	4.5	5.3	4.0	3.4	1.6	2.4	0.9	0.3
Euro area foreign demand	3.3	4.4	3.7	3.3	1.2	1.4	0.7	0.3
Euro area competitor export prices	0.9	8.5	1.5	1.9	0.6	6.2	-0.4	-0.1

Source: ECB staff calculations.
Note: The cut-off date for technical assumptions and international projections was 26 November 2025 in the December 2025 Eurosystem staff projections and 19 August 2026 in the September 2026 ECB staff projections.

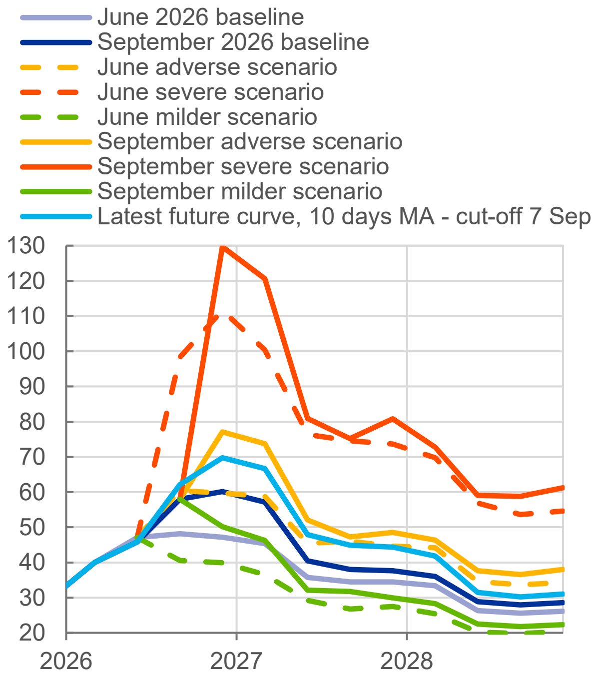
Outlook and scenarios for energy commodity prices

Oil prices
(USD per barrel)



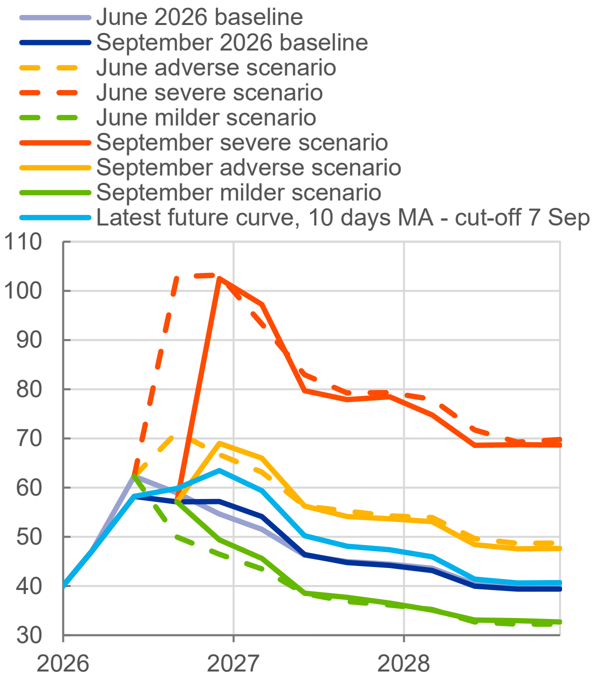
Sources: Refinitiv and ECB staff calculations.
Notes: Projections also entail spot prices. Cut-off for the September 2026 baseline is 19 August 2026. September scenarios are based on percentiles as of 19 August 2026 and June scenarios on percentiles as of 21 May 2026. The latest future curve is also averaged over ten business days. 'MA' refers to moving average. The latest observations are for 7 September 2026.

Gas prices
(EUR/MWh)



Sources: Refinitiv and ECB staff calculations.
Notes: Projections also entail spot prices. Cut-off for the September 2026 baseline is 19 August 2026. September scenarios are based on percentiles as of 19 August 2026 and June scenarios on percentiles as of 21 May 2026. The latest future curve is also averaged over ten business days. 'MA' refers to moving average. The latest observations are for 7 September 2026.

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

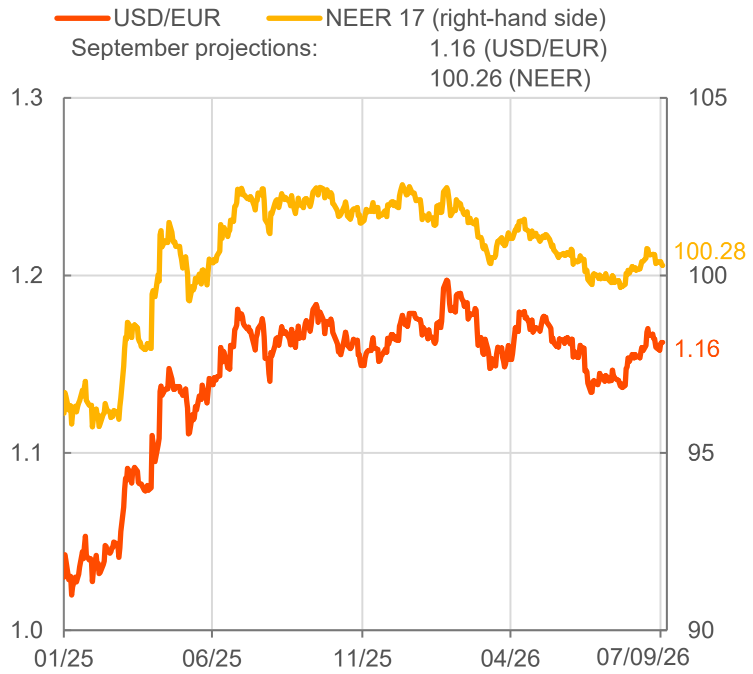


Sources: Refinitiv and ECB staff calculations.
Notes: SECPI is computed as a weighted average of oil and gas prices. Projections also entail spot prices. Cut-off for the September 2026 baseline is 19 August 2026. September scenarios are based on percentiles as of 19 August 2026 and June scenarios on percentiles as of 21 May 2026. The latest future curve is also averaged over ten business days. 'MA' refers to moving average. The latest observations are for 7 September 2026.

Exchange rates and commodity prices

USD/EUR and NEER

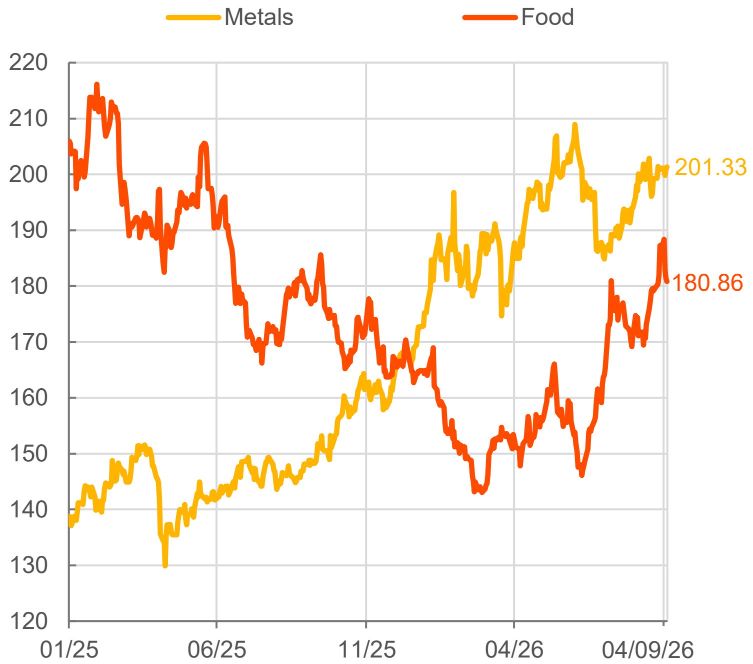
(left-hand scale: level; right-hand scale: index: 1999 = 100)



Source: ECB calculations.
Notes: Nominal effective exchange rate (NEER) denoted in euro for 17 trading partners (NEER 17). Projections correspond to ten-day rolling averages. Cut-off for the September projections is 19 August 2026. The latest observations are for 7 September 2026.

Non-energy commodities

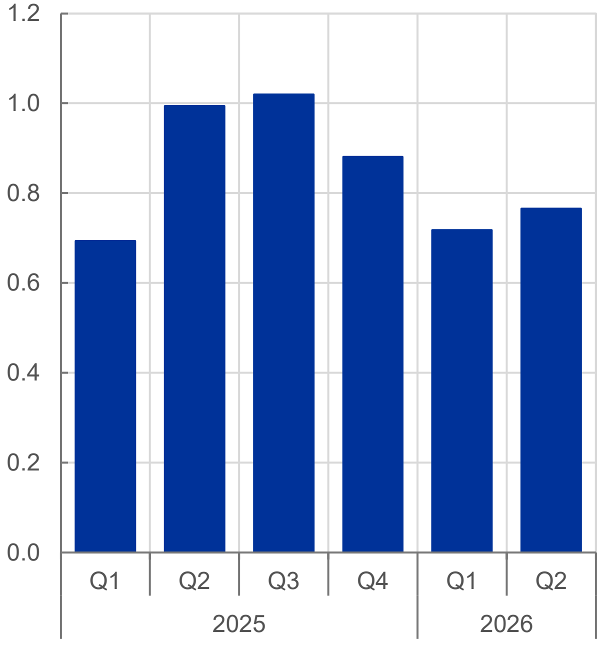
(index: 2020 = 100)



Sources: London Stock Exchange Group (LSEG), Hamburgisches WeltWirtschaftsInstitut (HWWI) and ECB calculations.
Note: The latest observations are for 4 September 2026 (weekly data).

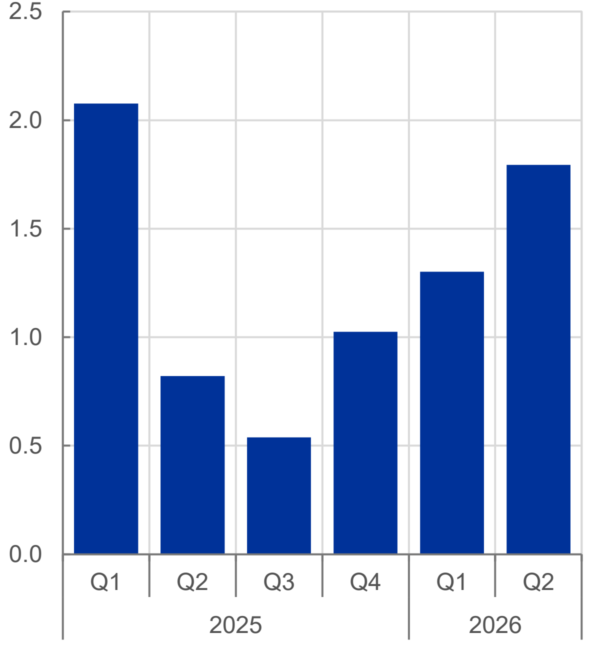
Global growth, imports and euro area foreign demand

World (excl. euro area) real GDP growth
(quarter-on-quarter percentage changes)



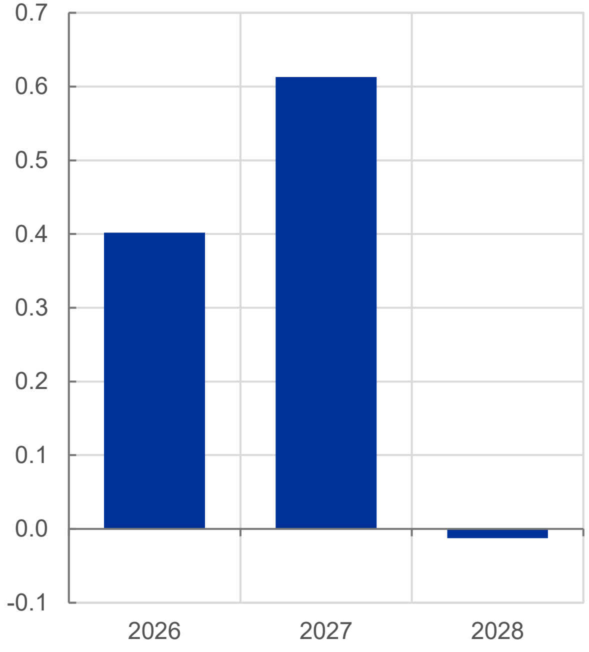
Sources: Haver and ECB staff calculations.
Notes: The latest observations are for the second quarter of 2026. The second quarter bar combines National Accounts (NA) releases (83% of global GDP) with projections for countries which did not release NA data.

World (excl. euro area) import growth
(quarter-on-quarter percentage changes)



Sources: Haver and ECB staff calculations.
Notes: The latest observations are for the second quarter of 2026. The second quarter bar combines National Accounts (NA) releases (71% of global imports) with projections for countries which did not release NA data.

Revisions to euro area foreign demand
(percentage points)

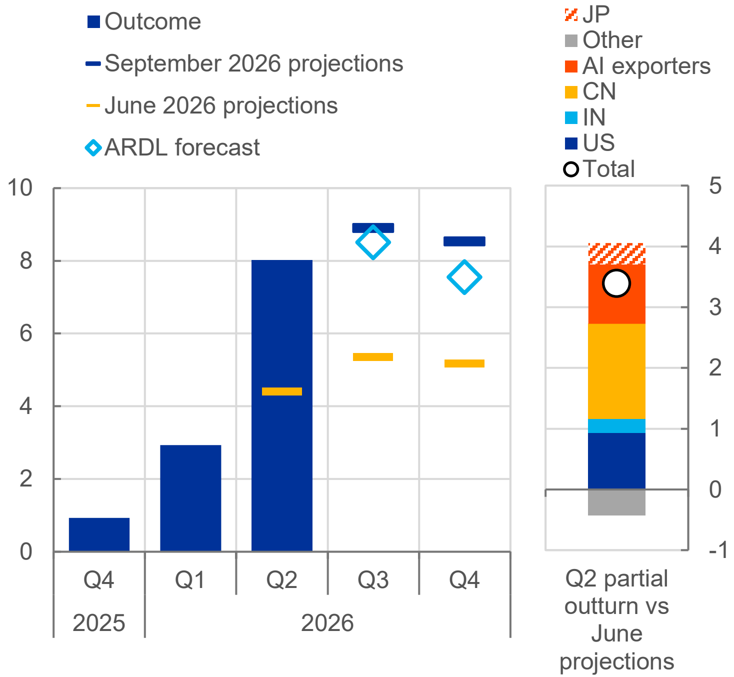


Source: ECB staff calculations.
Note: Revisions relative to the June 2026 projections.

Developments in export prices of euro area competitors

Euro area competitors' export prices

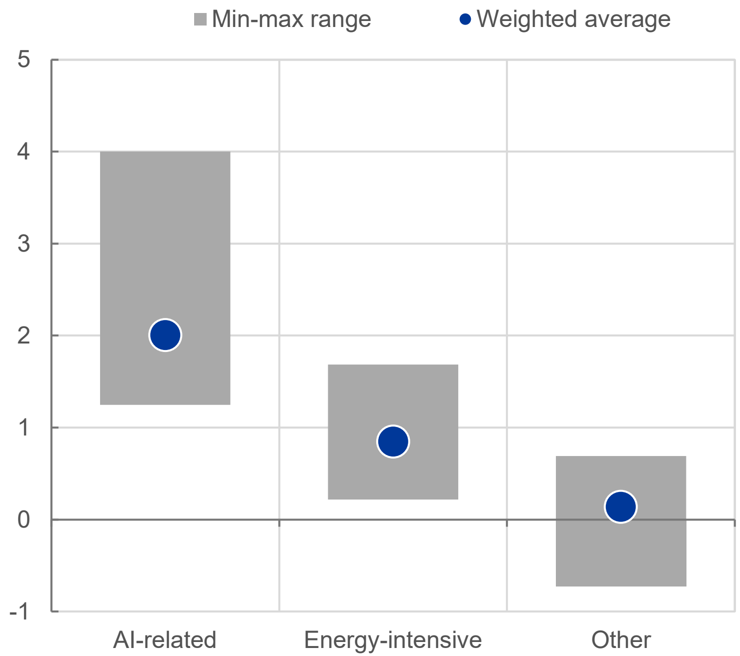
(left panel: annual percentage changes; right panel: percentage points)



Source: ECB staff calculations.
Notes: The second quarter bar combines national accounts releases with projections for countries that did not release these data. "AI exporters" refers to AI hardware exporters, including, e.g., Taiwan and South Korea. "ARDL forecast" is the outcome of 28 countries' autoregressive distributed lag models incorporating commodity prices (energy and non-energy), PPI (producer price index), NEER (nominal effective exchange rate) and tariffs.

Export prices of selected euro area competitors

(z-scores based on annual percentage changes)



Sources: S&P Global and ECB staff calculations.
Notes: Data for the second quarter of 2026. Based on countries with largest upside surprises to export prices in the first and second quarters of 2026 (United States, China, South Korea, Japan, Taiwan). Country-level numbers based on unweighted z-scores across categories. "Weighted average" obtained with country's weights in euro area competitors' export prices.

September 2026 ECB staff projections: baseline assumptions

September 2026 ECB staff macroeconomic projections: technical assumptions

	September 2026 projections				Revisions vs June 2026 projections		
	2025	2026	2027	2028	2026	2027	2028
Oil price (level in USD)	69.1	89.5	78.0	73.6	-7.6	-5.1	-4.6
Natural gas price (EUR/MWh)	36.2	51.0	43.3	30.3	11.7	15.5	8.8
Wholesale electricity price (EUR/MWh)	83.6	108.7	90.2	73.1	21.7	15.3	7.4
EU ETS1 allowances (EUR/tonne)	73.9	78.4	83.3	86.4	5.0	9.1	9.1
EU ETS2 allowances (EUR/tonne)	-	-	-	46.0	-	-	0.0
Effective exchange rate (index: Q1 1999 = 100)	128.3	129.6	129.4	129.4	-0.3	-0.3	-0.3
USD per EUR (level)	1.13	1.16	1.16	1.16	-0.8	-1.0	-1.0
Three-month interest rate (percentage per annum)	2.2	2.4	3.0	3.0	0.0	0.2	0.3
Ten-year bond yield (percentage per annum)	3.1	3.5	3.8	4.0	0.0	0.2	0.1

Notes: Revisions are expressed as percentages for levels and percentage points for interest rates and bond yields. The technical assumptions about euro area interest rates, equities and commodity prices are based on market expectations, with a cut-off date of 19 August 2026. The paths of commodity prices are implied by futures markets in the ten working days ending on the cut-off date. The use of electricity price assumptions in the staff projections differs according to cross-country differences in price setting practices for consumer electricity prices. ETS stands for emissions trading system.

September 2026 ECB staff macroeconomic projections: key macroeconomic variables

	September 2026 projections (annual percentage points)				Revisions vs June 2026 projections (percentage points)			
	2025	2026	2027	2028	2025	2026	2027	2028
HICP	2.1	3.0	2.5	2.1	0.0	0.0	0.2	0.1
HICP excluding energy	2.5	2.3	2.6	2.3	0.0	-0.2	-0.1	0.1
HICP excluding energy and food	2.4	2.5	2.6	2.3	0.0	0.0	0.1	0.1
HICP energy	-1.4	9.3	1.0	-0.6	0.0	0.9	2.3	-0.5
HICP food	2.8	1.9	2.8	2.5	0.0	-0.7	-0.7	0.1
Compensation per employee	3.8	3.3	3.3	3.3	-0.1	0.1	0.1	0.1
Unit labour costs	3.2	2.8	2.4	2.3	0.1	0.0	0.0	0.1
Real GDP	1.3	0.9	1.4	1.5	-0.2	0.1	0.2	0.0
Real GDP with modified domestic demand for Ireland	1.1	1.2	1.2	1.4	0.0	0.3	0.1	-0.1
Private consumption	1.5	1.0	1.0	1.3	0.0	0.2	0.0	-0.1
Government consumption	1.5	1.9	1.1	1.3	-0.1	0.3	0.1	0.0
Total investment	2.9	1.8	2.0	2.0	-0.2	0.0	0.3	-0.1
Exports	2.0	2.1	3.2	2.9	-0.1	1.0	0.6	0.0
Unemployment rate (% of labour force)	6.3	6.2	6.1	5.9	0.0	-0.1	-0.1	-0.1

Note: Revisions are calculated based on rounded figures.

September 2026 ECB staff projections: baseline projections

September 2026 ECB staff macroeconomic projections: key macroeconomic variables

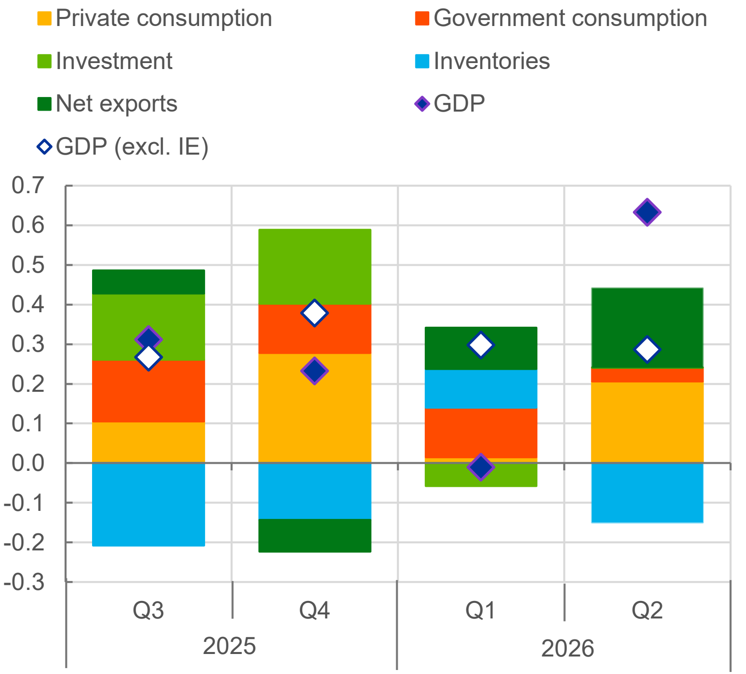
	September 2026 projections (Q4-on-Q4 percentage points)				Revisions vs June 2026 projections (percentage points)			
	Q4 2025	Q4 2026	Q4 2027	Q4 2028	Q4 2025	Q4 2026	Q4 2027	Q4 2028
HICP	2.1	3.6	1.9	2.2	0.0	0.2	0.0	0.1
HICP excluding energy	2.4	2.5	2.5	2.3	0.0	-0.2	0.0	0.1
HICP excluding energy and food	2.4	2.6	2.4	2.3	0.0	0.0	0.1	0.1
HICP energy	-1.1	14.9	-4.1	0.8	0.0	4.2	-0.7	-0.4
HICP food	2.5	1.9	3.1	2.3	0.0	-1.4	-0.1	0.1
Compensation per employee	3.6	3.0	3.4	3.3	-0.2	0.0	0.2	0.1
Unit labour costs	3.3	2.3	2.5	2.3	0.1	-0.1	0.2	0.1
Real GDP	1.1	1.2	1.4	1.5	-0.1	0.3	0.0	0.0
Real GDP with modified domestic demand for Ireland	1.2	1.2	1.3	1.4	0.0	0.6	-0.1	-0.1
Private consumption	1.2	0.7	1.2	1.3	-0.1	0.2	-0.1	-0.1
Government consumption	1.6	1.4	1.0	1.4	-0.1	0.4	-0.2	0.0
Total investment	2.9	3.0	0.9	1.7	-0.3	1.2	-0.8	-0.5
Exports	2.2	3.3	2.6	2.9	0.2	1.1	-0.3	0.1
Unemployment rate (% of labour force)	6.3	6.2	6.1	5.8	0.0	-0.1	0.0	-0.1

Note: Revisions are calculated based on rounded figures.

Short-term growth outlook

GDP growth and components

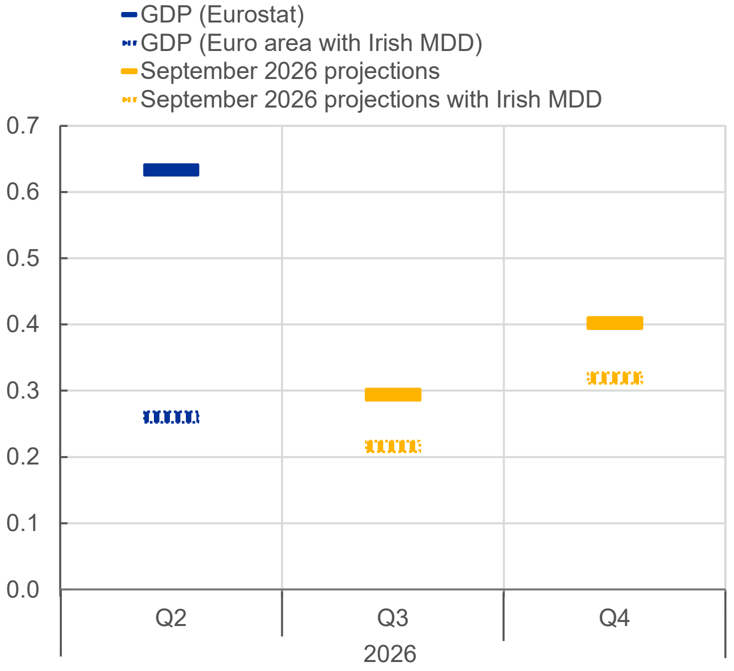
(quarter-on-quarter percentage changes and percentage points)



Sources: Eurostat and ECB calculations.
Notes: The expenditure breakdown excludes Ireland. The latest observation is for the second quarter of 2026 for GDP.

GDP estimates

(quarter-on-quarter percentage changes)

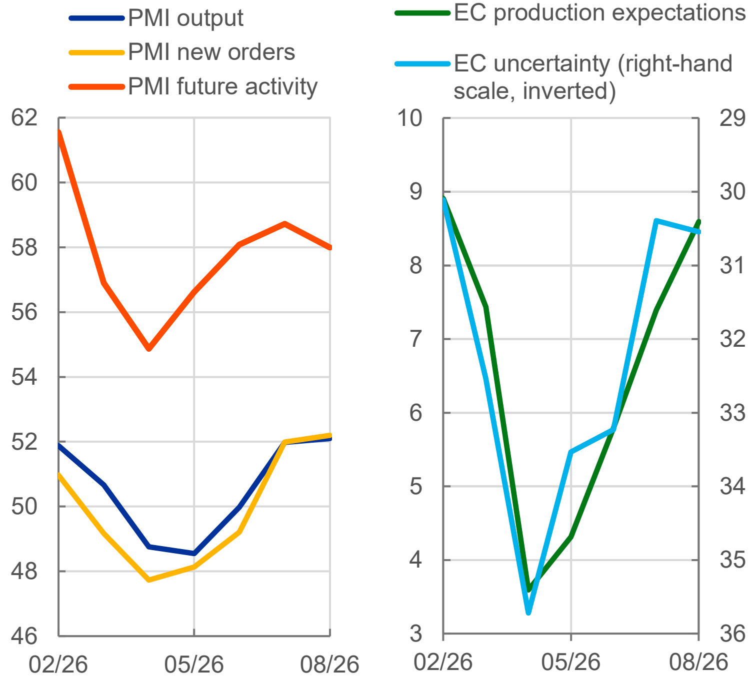


Sources: Eurostat, September 2026 ECB staff macroeconomic projections, ECB and ECB calculations.
Notes: “MDD” stands for “modified domestic demand”. The latest observations are the second quarter of 2026 for GDP.

Survey indicators

Surveys

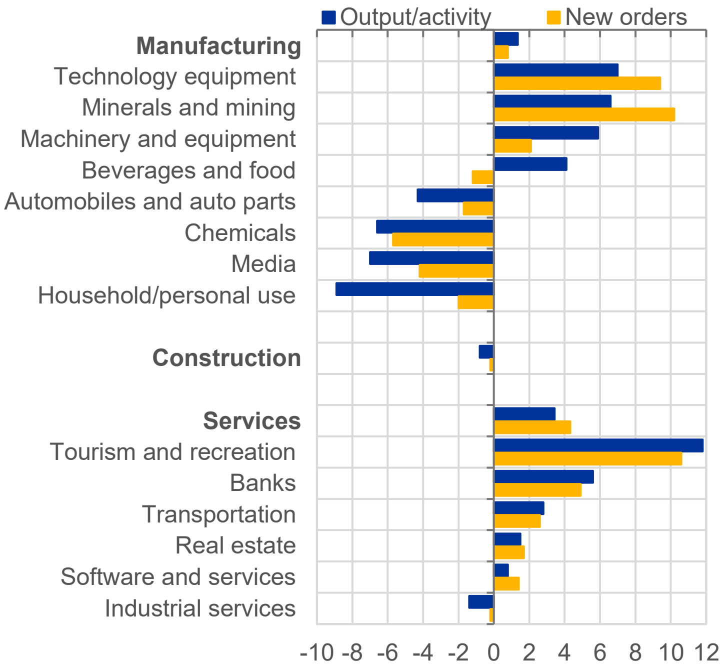
(left panel: diffusion indices;
right panel: percentage balances)



Sources: EC (European Commission) and S&P Global.
Notes: The production expectations and uncertainty measures are weighted averages for industry, services and retail. The latest observations are for August 2026.

Sectoral PMIs

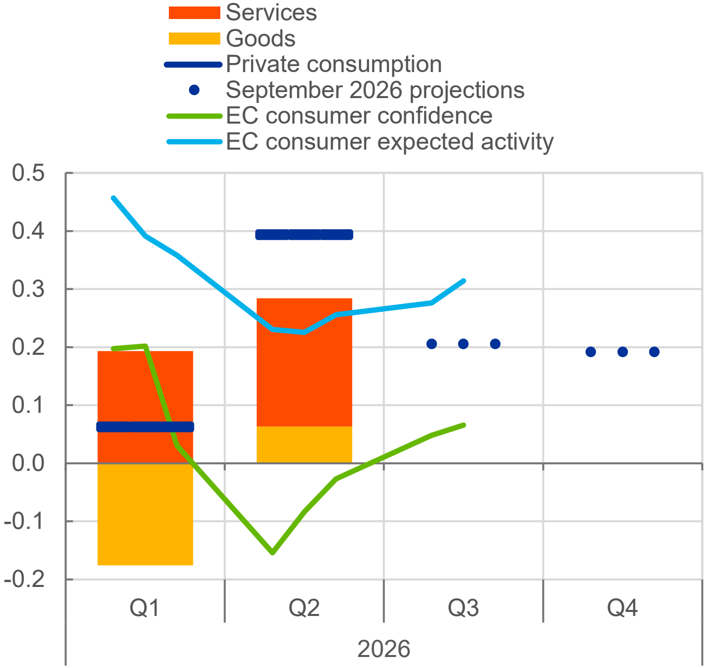
(difference in July and August versus second quarter)



Sources: S&P Global and ECB calculations.
Notes: Sectoral labels are taken from the July Global PMI press release. The latest observations are for August 2026.

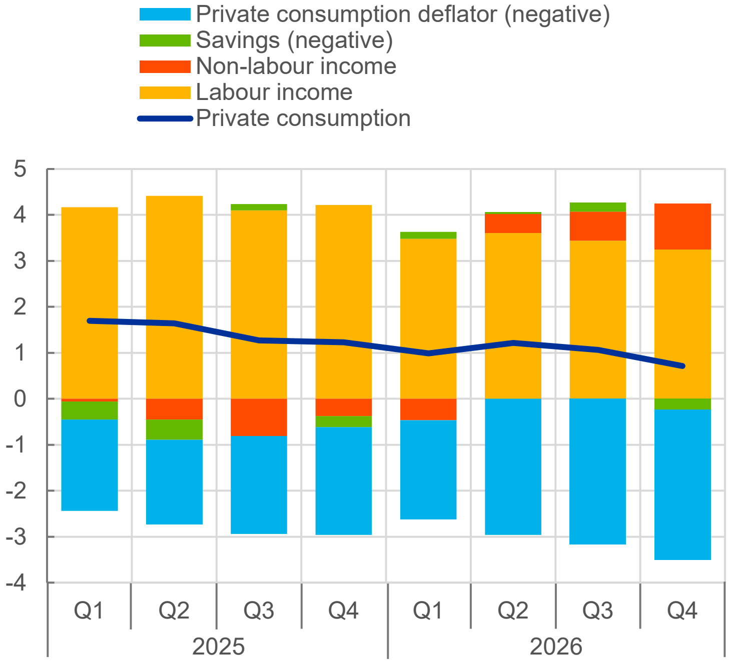
Private consumption

Private consumption and short-term indicators
(quarter-on-quarter percentage changes and percentage points)



Sources: Eurostat, EC (European Commission) and September 2026 ECB staff macroeconomic projections.
Notes: Goods and services refer to the spending of domestic and foreign households in the euro area. Confidence and (three months ahead) expected activity (i.e. expected production for manufacturing, employment for construction, business for retail trade and demand for services applying FIGARO 2023 weights of sectoral shares) refer to fitted values of regressions of consumption. The latest observations are for the second quarter of 2026 for consumption and August 2026 for confidence and expected activity.

Private consumption – projection
(year-on-year percentage changes and percentage points)

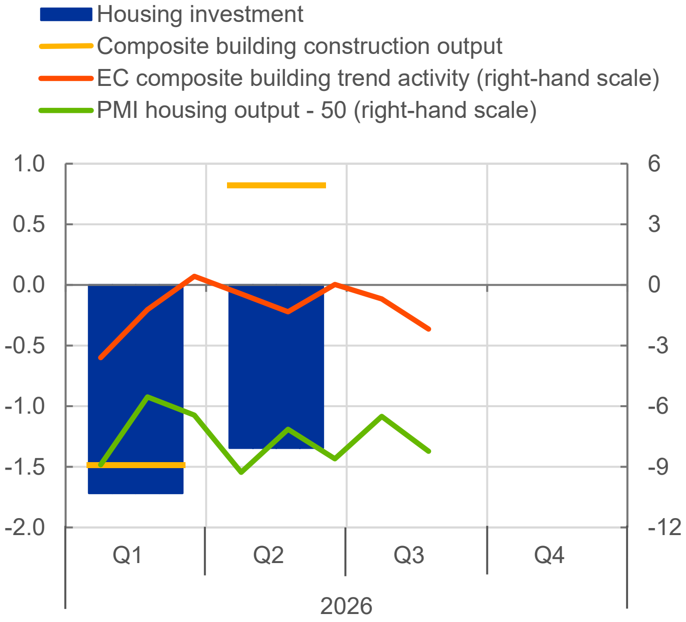


Sources: Eurostat, September 2026 ECB staff macroeconomic projections and ECB staff calculations.
Note: The latest observations are for the first quarter of 2026 for savings and income, and the second quarter of 2026 for private consumption and deflator.

Housing and business investment

Housing investment and short-term indicators

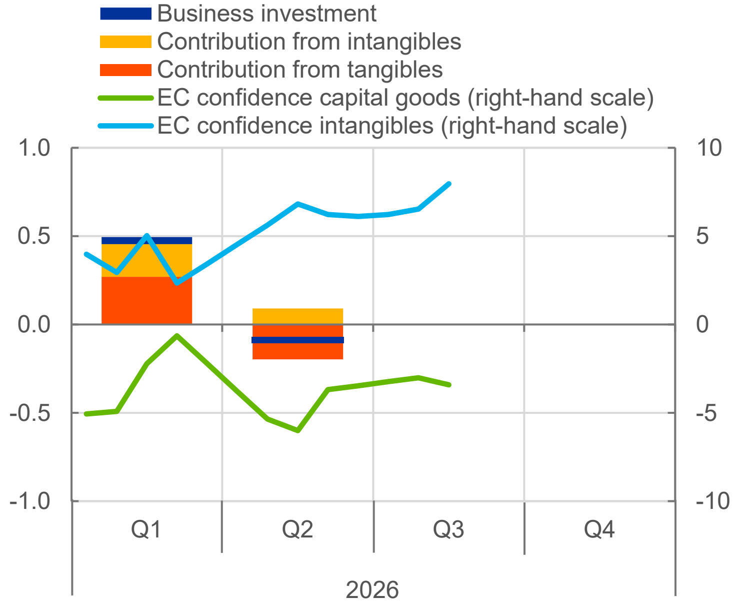
(left-hand scale: quarter-on-quarter percentage changes; right-hand scale: balances and PMI diffusion index - 50)



Sources: Eurostat, EC (European Commission), S&P Global and ECB calculations.
Note: The latest observations are for the second quarter of 2026 for housing investment, June 2026 for composite building output and August 2026 for PMI indicators and the European Commission composite building trend activity.

Business investment and short-term indicators

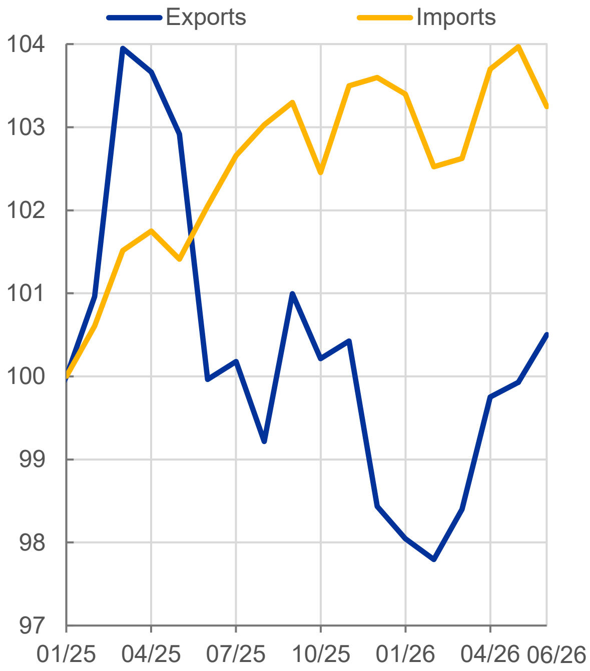
(left-hand scale: quarter-on-quarter percentage changes and percentage points; right-hand scale: percentage balances)



Sources: Eurostat, EC (European Commission) and ECB calculations.
Notes: Business investment is proxied with total investment excluding construction and Irish intangibles. Intangible confidence is the weighted average of the following subgroups: publishing activities (J58); computer programming and consultancy (J62); and information activities (J63). Capital goods confidence is a proxy for tangibles. The latest observations are for the second quarter of 2026 for investment and August 2026 for EC confidence.

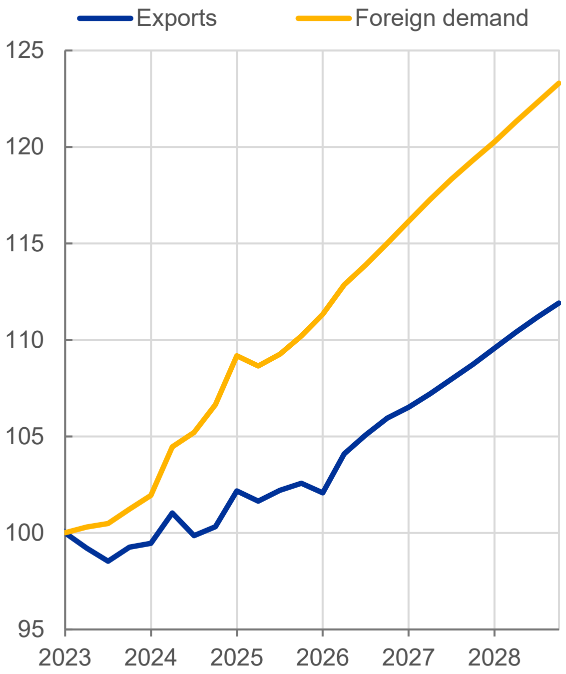
Euro area exports

Exports and imports of goods
(index, January 2025 = 100)



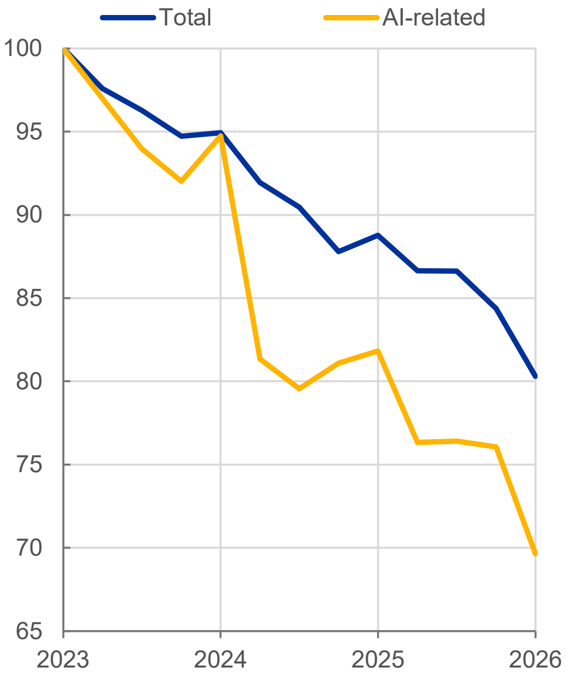
Sources: Eurostat and ECB staff calculations.
Notes: As export and import volume data for June are not available, the latest data point is approximated by deflating June values with industrial export and import prices, respectively. The latest observations are for June 2026.

Euro area exports and foreign demand
(index, Q1 2023 = 100)



Source: September 2026 ECB staff macroeconomic projections.
Notes: Goods and services. The latest observations are for the second quarter of 2026.

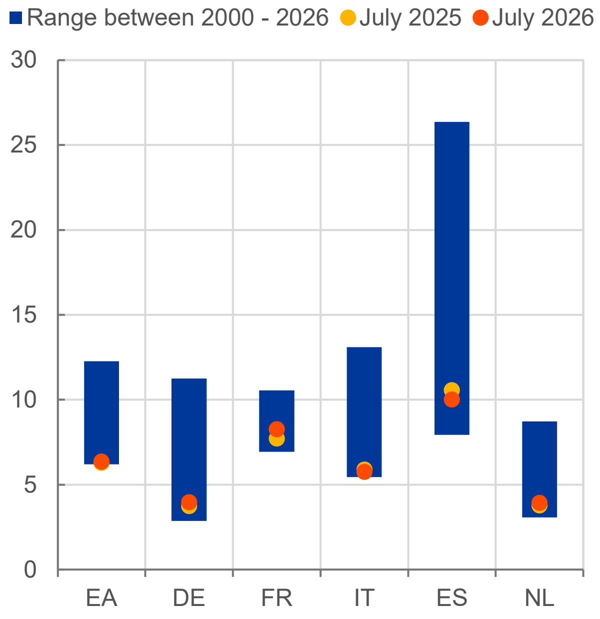
Extra-euro area market shares
(index, Q1 2023 = 100)



Sources: Trade Data Monitor, Eurostat and ECB staff calculations.
Notes: Export market shares are the ratio of extra-euro area export volumes and euro area foreign demand. The latest observations are for the first quarter of 2026.

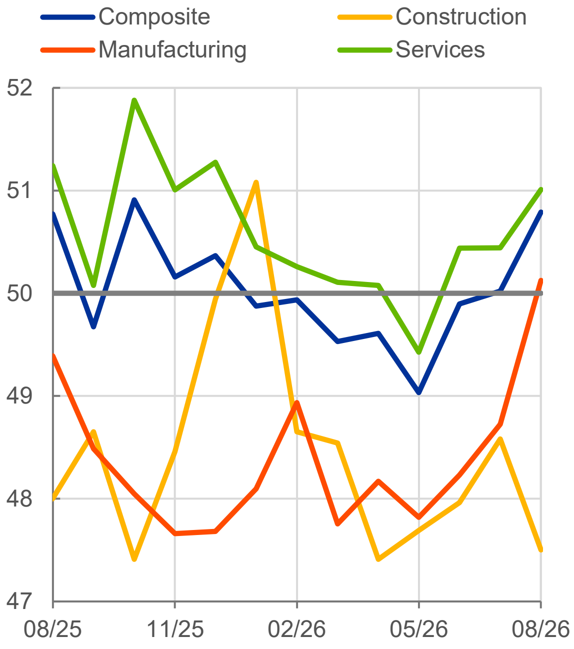
Labour market developments

Unemployment rate
(percentages)



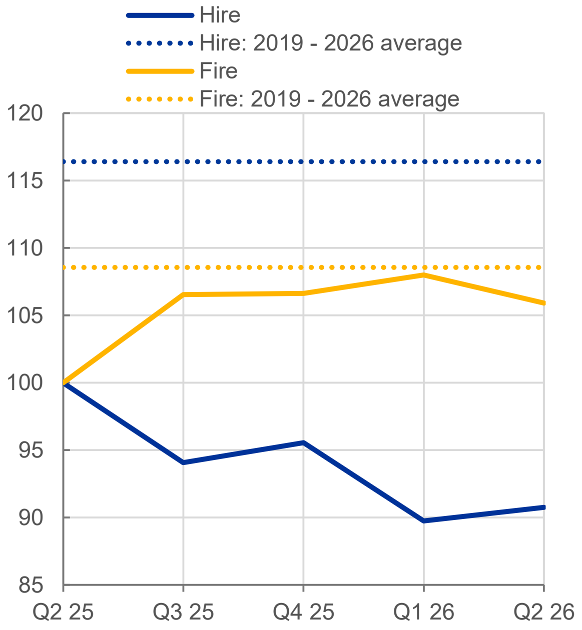
Sources: Eurostat and ECB staff calculations.
Note: The latest observations are for July 2026.

PMI employment
(diffusion index)



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

Indicators of hiring and firing in earnings calls
(index: Q2 2025 = 100)



Sources: NL Analytics and ECB staff calculations.
Notes: Indicators constructed by counting the share of sentences appearing in earnings calls of euro area firms containing one of several keywords synonymous with "hiring" (i.e. "recruiting", "new hires", "new staff") and "firing" ("layoffs", "downsizing", "restructuring"). Dashed lines represent the averages since the first quarter of 2019 for each index. The latest observations are for June 2026.

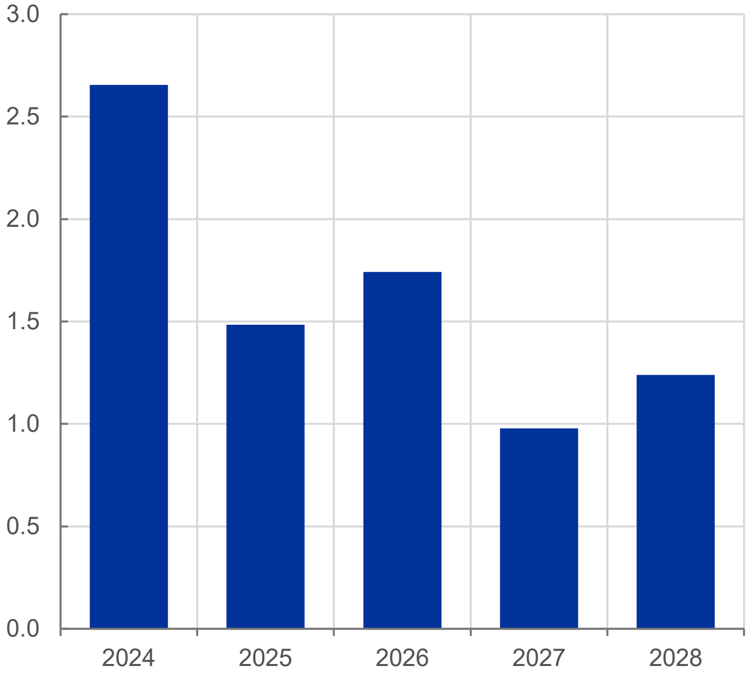
Euro area fiscal projections

	September 2026 projections (percentage of GDP)				Revisions since June 2026 projections (percentage points)			
	2025	2026	2027	2028	2025	2026	2027	2028
Budget balance	**-3.0**	**-3.6**	**-3.7**	**-3.6**	**-0.1**	**0.0**	**0.0**	**0.0**
Total revenues	46.6	46.8	46.6	46.5	-0.2	-0.1	-0.2	-0.2
Total expenditures	49.7	50.4	50.3	50.2	-0.1	-0.1	-0.2	-0.2
Interest expenditure	1.9	2.1	2.3	2.4	0.0	0.0	0.0	0.0
Primary balance	-1.1	-1.5	-1.4	-1.2	-0.1	0.0	0.0	0.0
Cyclical component	0.1	0.2	0.2	0.3	0.1	0.2	0.2	0.2
Cyclically adjusted primary balance	-1.3	-1.7	-1.6	-1.5	-0.2	-0.2	-0.2	-0.2
Gross debt	**87.1**	**88.2**	**88.8**	**89.4**	**-0.3**	**-0.4**	**-0.5**	**-0.6**
Interest rate-growth differential	-1.3	-0.8	-1.1	-0.8	0.0	-0.1	-0.1	0.0
Deficit-debt adjustment	1.1	0.4	0.2	0.1	-0.1	0.0	0.0	0.0
Fiscal stance (adjusted for NextGenerationEU)	**0.0**	**-0.5**	**0.4**	**0.2**	**-0.1**	**0.0**	**0.0**	**0.0**

Sources: September 2026 ECB staff macroeconomic projections and June 2026 Eurosystem staff macroeconomic projections.
Notes: The fiscal policy stance is measured as the change in the cyclically adjusted primary balance. The figures shown are also adjusted for the fact that revenues from grants under the Next Generation EU (NGEU) programme are not withdrawn from the domestic economy. A negative (positive) figure implies a loosening (tightening) of the fiscal stance.

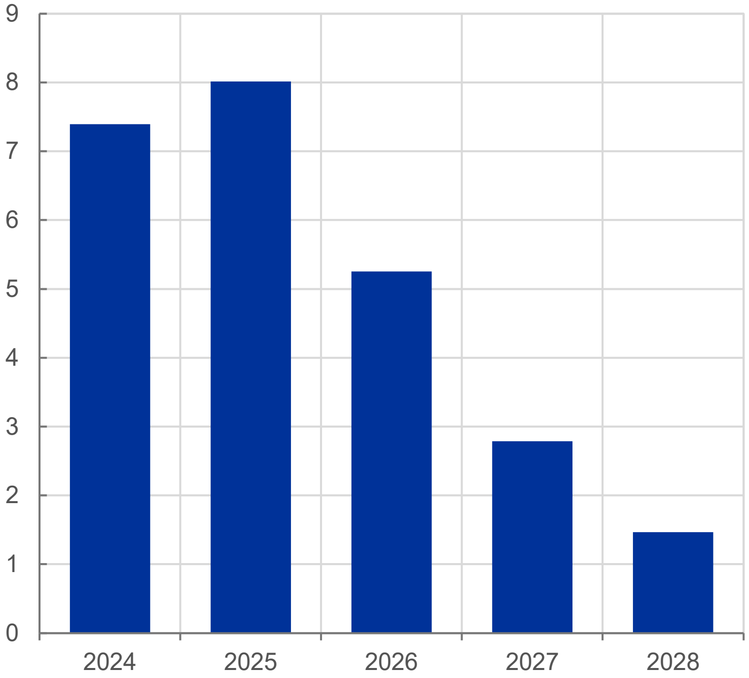
Outlook for government consumption and investment

Real government consumption
(annual percentage changes)



Source: September 2026 ECB staff macroeconomic projection.
Note: The latest observations are for 2025.

Real government investment
(annual percentage changes)

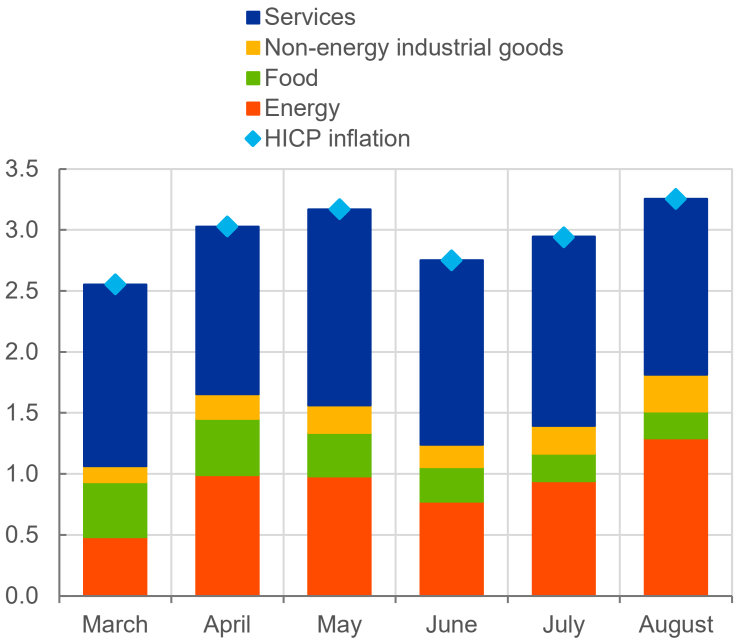


Source: September 2026 ECB staff macroeconomic projections.
Note: The latest observations are for 2025.

Recent inflation developments and short-term outlook

Headline inflation and main components

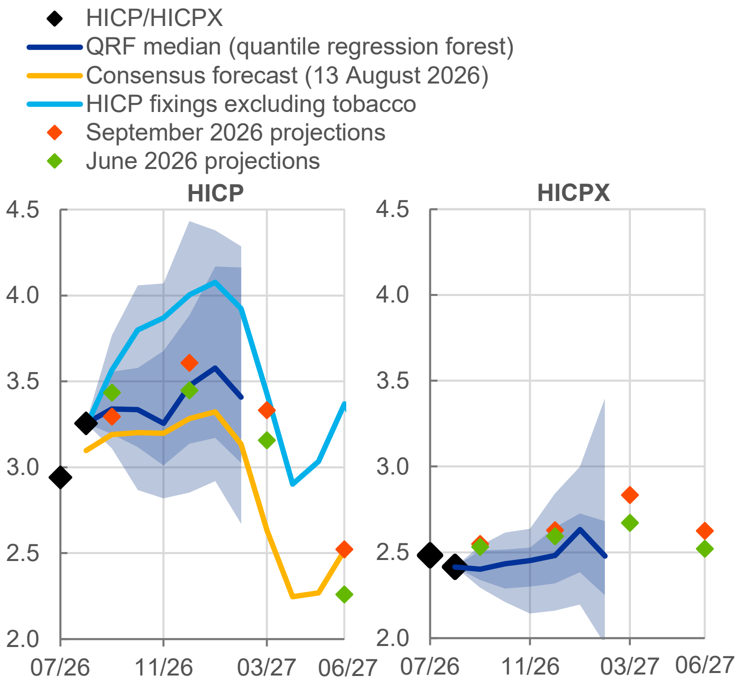
(annual percentage changes and percentage point contributions)



Sources: Eurostat and ECB calculations.
Note: The latest observations are for August 2026 (flash).

Short-term forecasts for HICP and HICPX

(annual percentage changes)

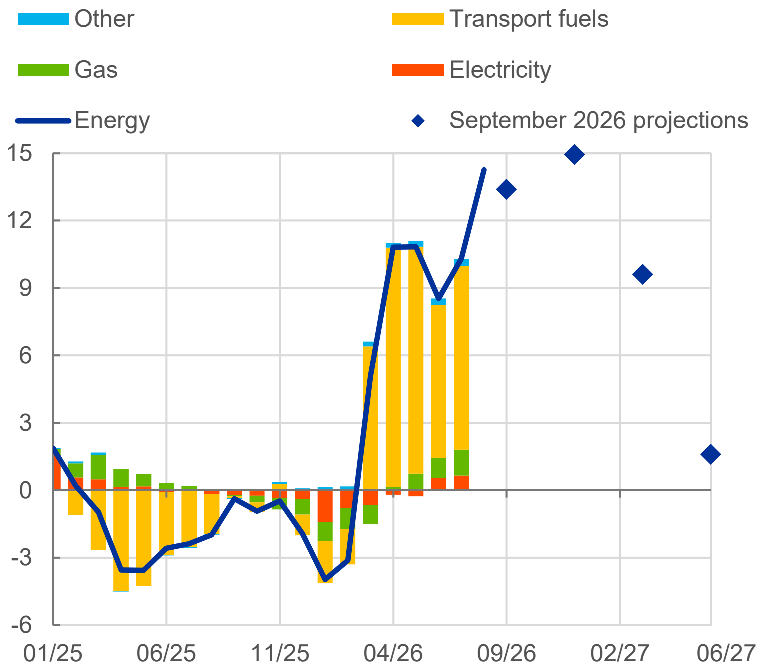


Sources: Eurostat, Eurosystem staff macroeconomic projections for the euro area, June 2026 and ECB staff macroeconomic projections for the euro area, September 2026, and ECB calculations.
Notes: Quantile regression forest (QRF) estimated on 8 September 2026 with 69.5% of August data available, Lenza et al. (2025). Light (dark) shaded areas denote the QRF 5-95 (16-84) range. Cut-off for fixings excluding tobacco is 7 September 2026. The latest observations are for August 2026 (flash).

Energy inflation

Energy inflation and short-term outlook

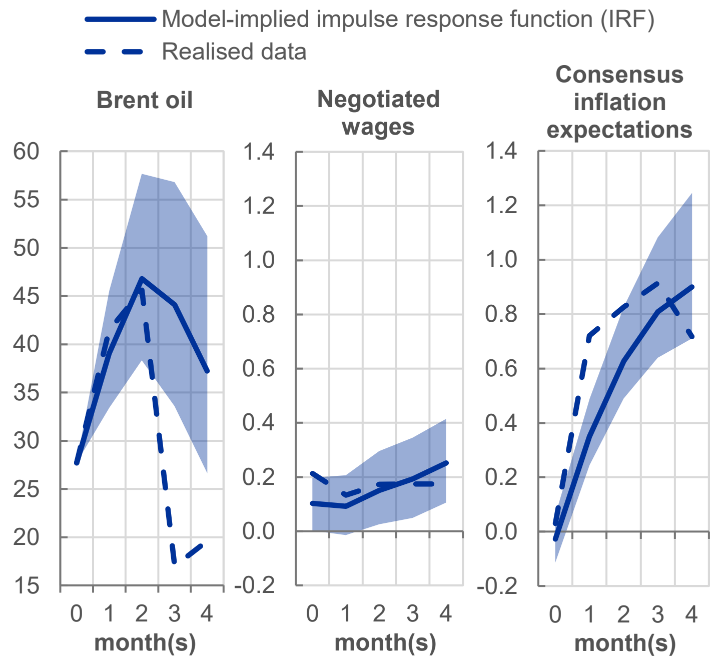
(annual percentage changes; percentage point contributions)



Sources: Eurostat, ECB staff macroeconomic projections for the euro area, September 2026, and ECB calculations.
Note: The latest observations are for August 2026 (flash) for energy inflation and July 2026 for the components of energy inflation.

Propagation of the oil shock: model responses and realised data

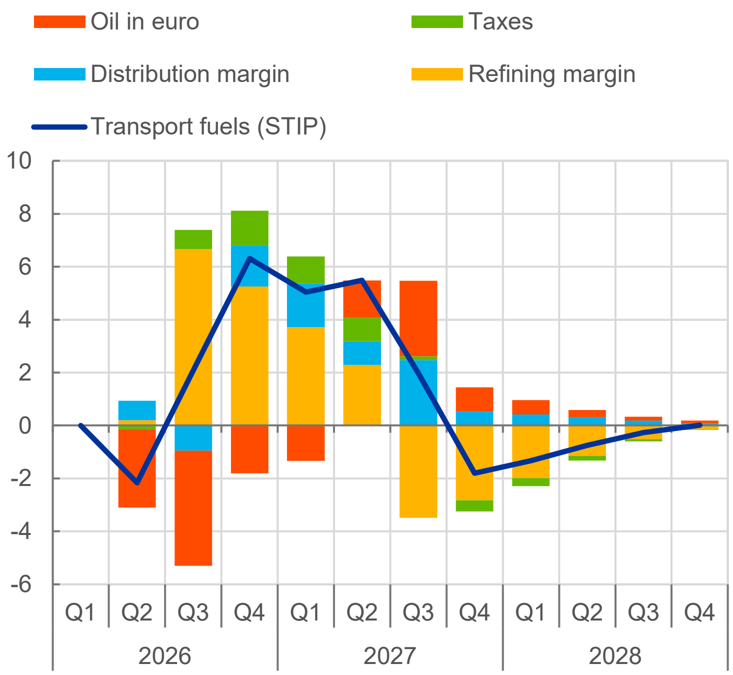
(percentage point changes)



Sources: Eurostat, Haver, and ECB calculations. Notes: median impulse responses (solid line) and 68% credibility bands (shaded area) from a BVAR using oil price shocks from Bańbura et al. (2023), calibrated to a 28% year-on-year oil price increase, matching March's observed increase (month 0 on x-axis) over the first four months. Dashed lines show realised data since the onset of the conflict in March 2026, as deviations from their 2006-2026 average to match the impulse responses. Oil, negotiated wages and consensus expectations are in year-on-year rates. The latest observations are for July 2026.

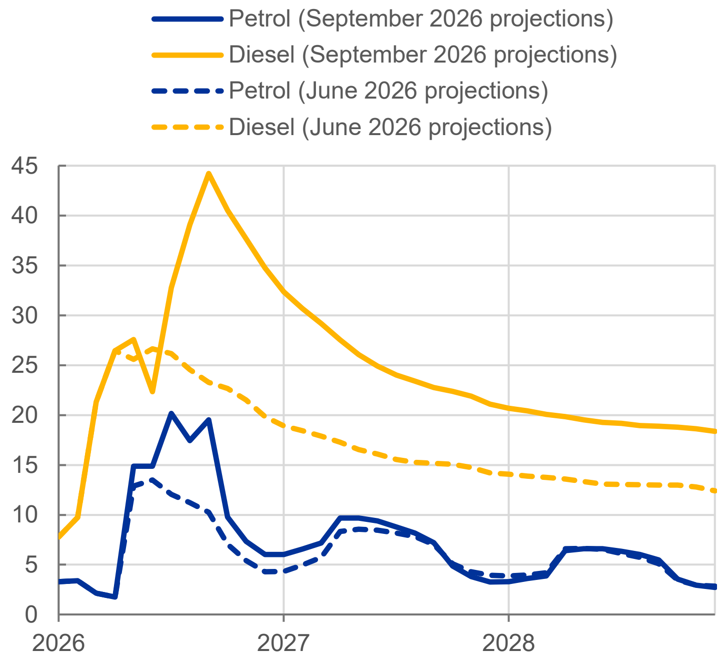
HICP energy

Transport fuels: model-based revisions
(percentage points)



Sources: Eurostat, LSEG, Weekly Oil Bulletin and ECB calculations.
Note: based on the short-term inflation projection (STIP) energy model (Bańbura, Bobeica, Giammaria, Porqueddu and van Spronsen, 2025), using Eurosystem macroeconomic projection assumptions for the euro area, June 2026, and ECB staff macroeconomic projection assumptions for the euro area, September 2026.

Refining margins
(EUR cents per litre)

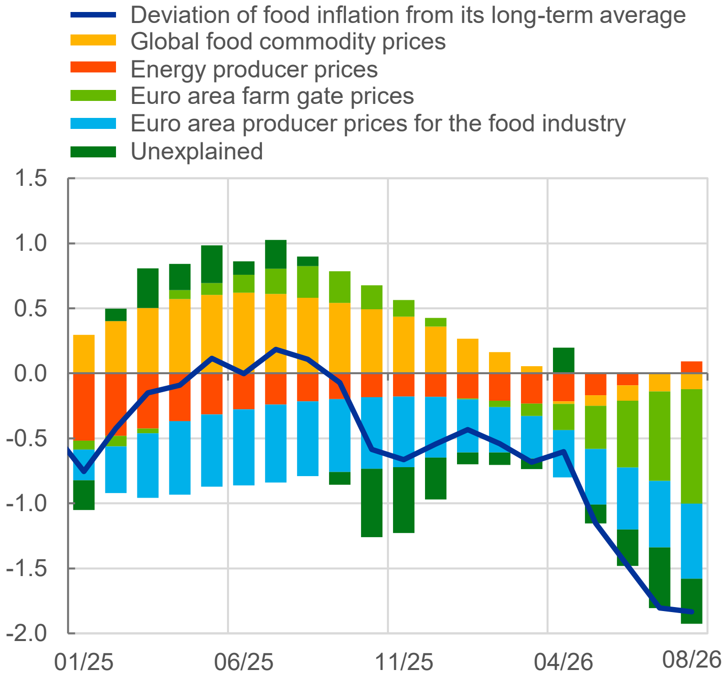


Sources: Eurostat, LSEG and ECB calculations.
Note: the latest observations for the futures of crude oil and refined product prices are for 21 May 2026 and 19 August 2026.

Food inflation

Drivers of euro area consumer food price inflation

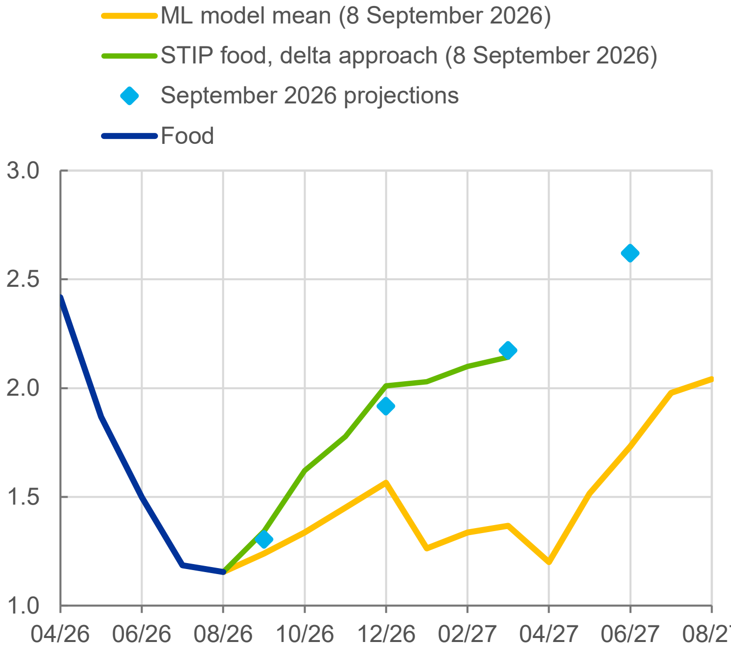
(percentage point deviations and contributions)



Sources: Eurostat, HWWI (Hamburgisches WeltWirtschaftsInstitut) and ECB calculations.
Notes: the decomposition of the drivers explaining deviations in euro area food inflation from its long-term average (calculated over the period from December 1996 to August 2026) follows Kuik et al. (2024). The latest observations are for August 2026 (flash).

Food inflation short-term outlook

(annual percentage changes)

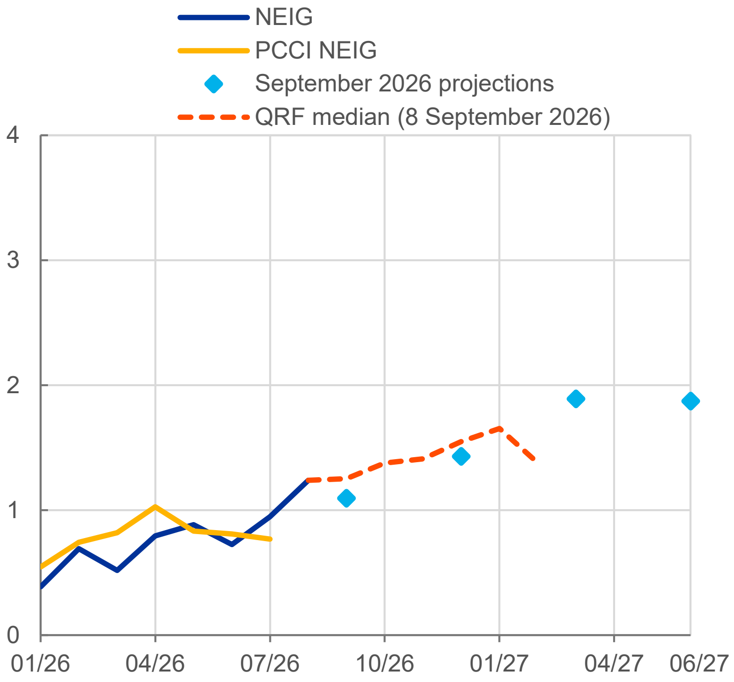


Sources: Eurostat, Eurosystem staff macroeconomic projections for the euro area, June 2026 and ECB staff macroeconomic projections for the euro area, September 2026, HWWI (Hamburgisches WeltWirtschaftsInstitut) and ECB calculations. Notes: the machine learning (ML) model mean refers to the mean of a new machine learning model ensemble for food inflation (Kuik et al., forthcoming). Short-term inflation projection (STIP) food, delta approach, is the update of the Eurosystem macroeconomic projections, June 2026, using the STIP food model (Banbura et al., forthcoming). The latest observations are for August 2026 (flash).

NEIG and services inflation

Non-energy industrial goods (NEIG) inflation

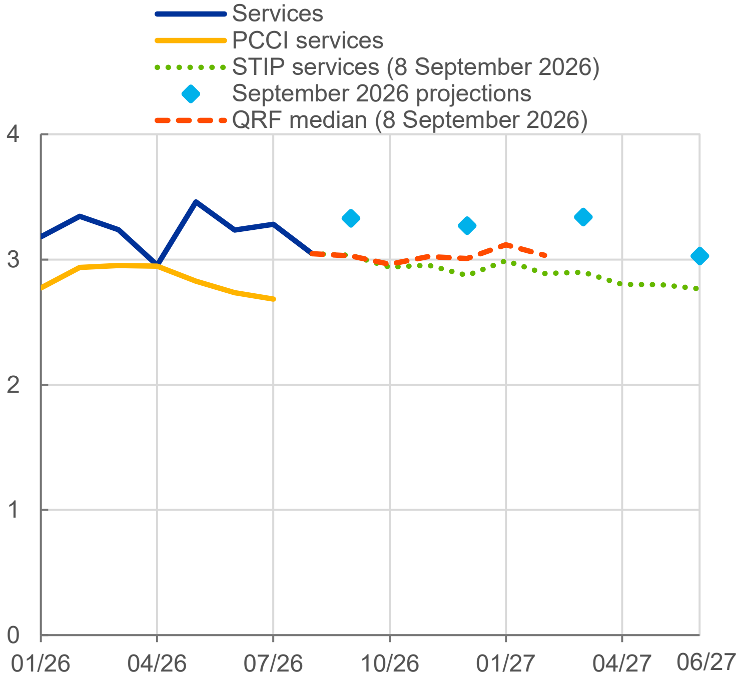
(annual percentage changes)



Sources: Eurostat, ECB staff macroeconomic projections for the euro area, September 2026, and ECB calculations.
Notes: Quantile regression forest (QRF) estimates follow Lenza et al. (2025), with 69.5% of the August data available. The latest observations are for August 2026 for NEIG inflation (flash) and July 2026 for permanent and common component of inflation (PCCI) NEIG.

Services inflation

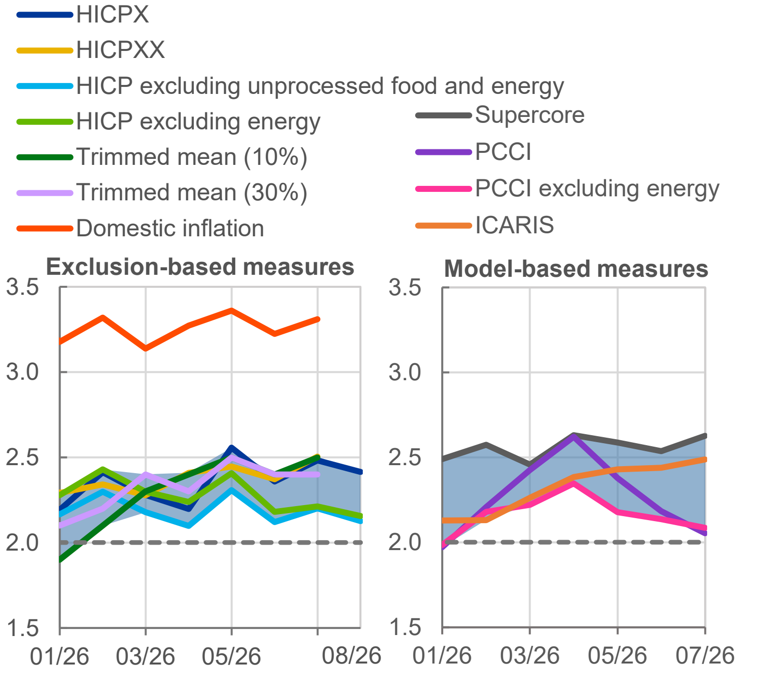
(annual percentage changes)



Sources: Eurostat, ECB staff macroeconomic projections for the euro area, September 2026, and ECB calculations.
Notes: Quantile regression forest (QRF) estimated on 8 September 2026 with 69.5% of August data available, Lenza et al. (2025). Short-term inflation projection (STIP) services from Durero et al. (forthcoming), estimated on 8 September 2026. The latest observations are for August 2026 for services inflation (flash) and July 2026 for permanent and common component of inflation (PCCI) services.

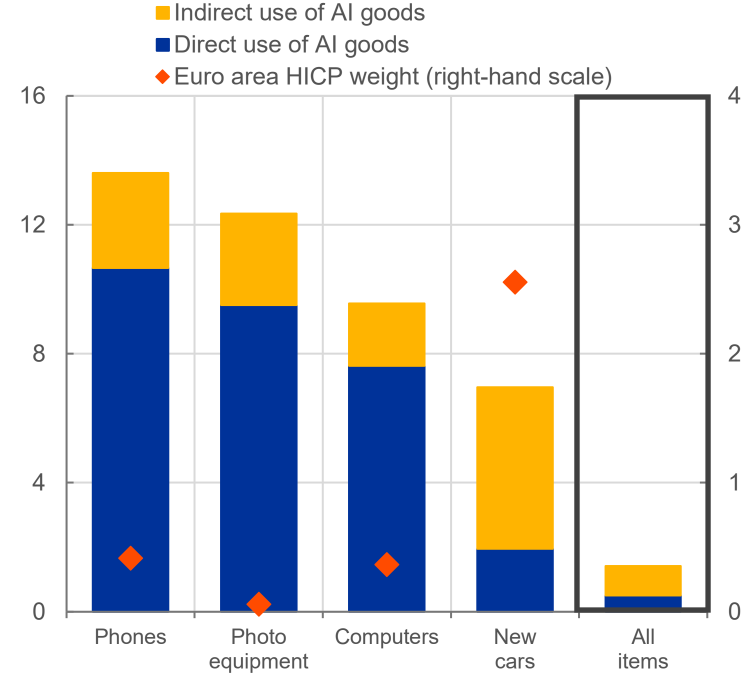
Underlying inflation

Measures of underlying inflation
(annual percentage changes)



Sources: Eurostat, Harvard Dataverse and ECB calculations. Notes: persistent common component of inflation (PCCI). ICARIS (Le Bihan et al. 2024) is a non-linear underlying inflation measure based on persistent component of inflation estimated at a disaggregated level. The July value for ICARIS is preliminary, assuming no change in industrial production growth between June and July (data outcome not yet released). The latest observations are for August 2026 (flash) for HICP excluding food and energy, HICP excluding energy and HICP excluding unprocessed food and energy, and July 2026 for the remaining measures.

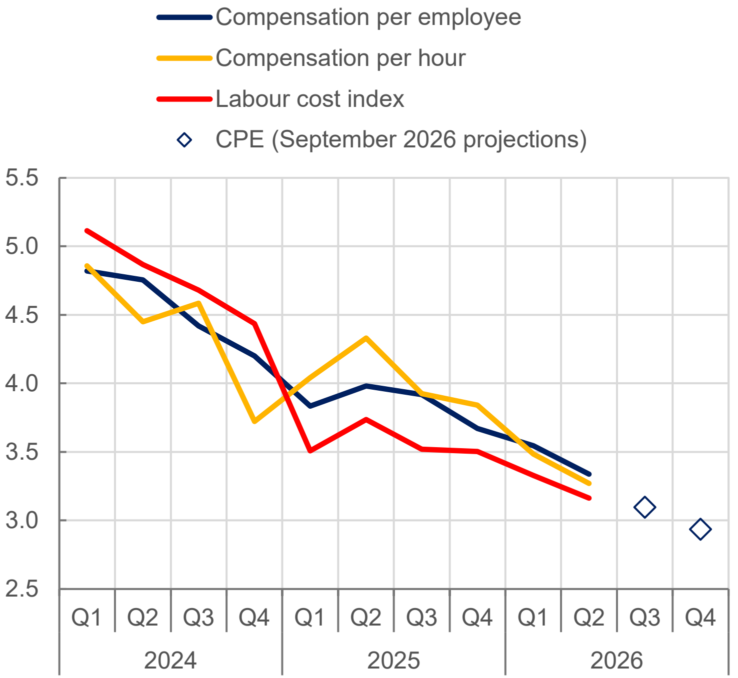
HICP exposure to AI goods
(left-hand scale: percentage of output; right-hand scale: percentage of HICP)



Sources: Trade Data Monitor, Bureau of economic analysis (BEA), Eurostat and ECB staff calculations.
Notes: "AI goods" is a basket of goods related to AI data centre construction (Emter et al. 2026; Waugh, 2026). Based on US BEA tables (2017). Exposures weighted by AI share, based on 2025 nominal trade data.

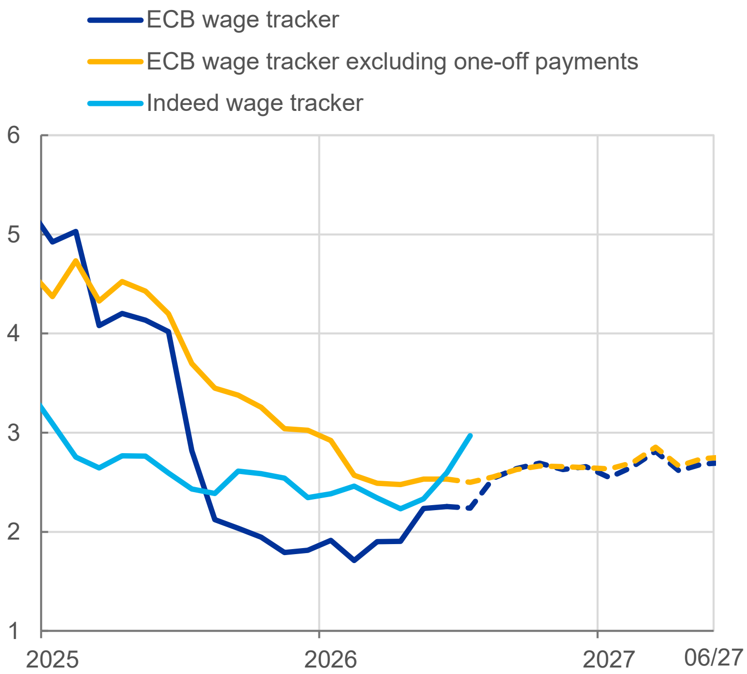
Labour cost growth and wage trackers

Labour cost growth
(annual percentage changes)



Sources: Eurostat, ECB staff macroeconomic projections for the euro area, September 2026, and ECB calculations.
Note: The latest observations are for the second quarter of 2026.

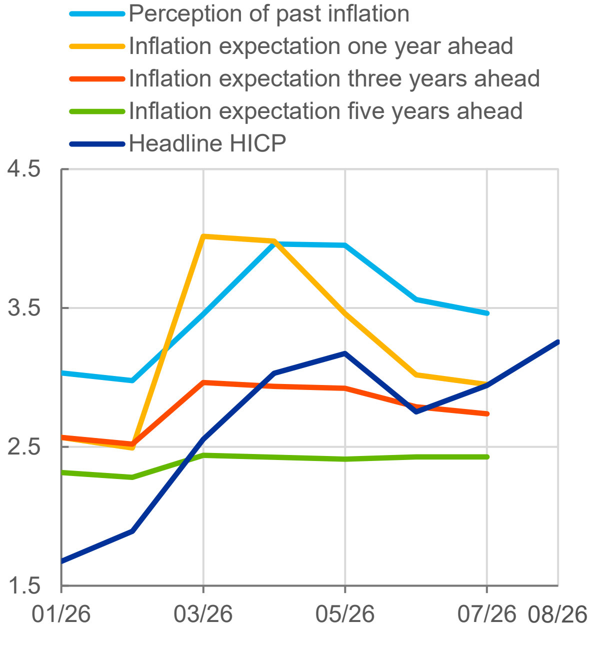
ECB and Indeed wage trackers
(annual percentage changes)



Sources: ECB wage tracker and Indeed.
Notes: dashed lines denote forward-looking information. The latest observations are for July 2026 for Indeed and for June 2027 for the ECB wage tracker based on agreements signed until end-August 2026.

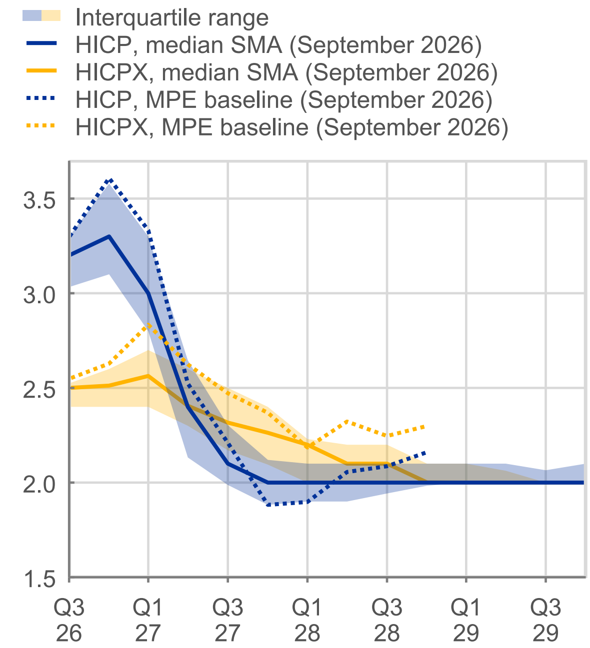
Inflation expectations

Consumer inflation expectations in the CES
(annual percentage changes)



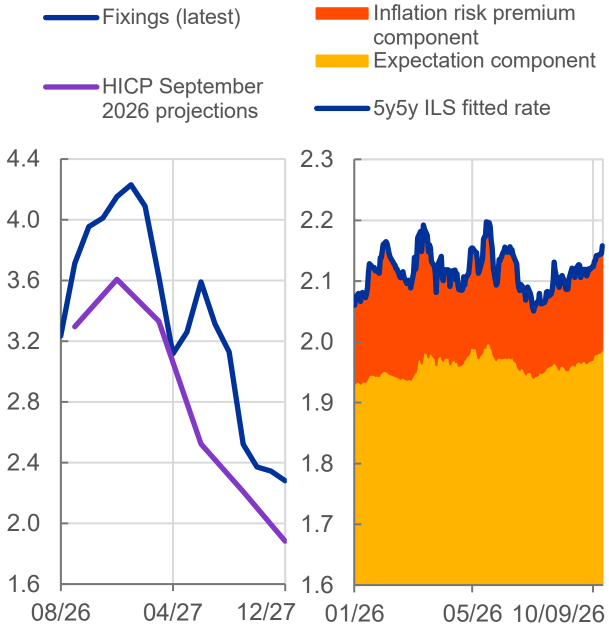
Sources: ECB Consumer Expectations Survey (CES) and ECB calculations.
Notes: median perceptions/expectations for the CES using survey weights. The latest observations are for July 2026 for CES and August 2026 for HICP (flash).

SMA HICP and HICPX inflation expectations
(annual percentage changes)



Source: Survey of Monetary Analysts (SMA).
Note: interquartile range refers to point forecasts of respondents.

Euro area inflation path and 5y5y ILS decomposition
(percentages per annum)



Sources: Bloomberg, LSEG, ECB projections database and ECB calculations.
Notes: the left panel shows the latest inflation path derived from inflation fixing contracts referring to HICPxT and the September quarterly MPE projections for HICP. The right panel decomposes the 5-year in 5-years inflation-linked swap rate into an inflation risk premium component and an expectation component, which are averages from two affine term structure models as in Joslin, Singleton and Zhu (2011) (see Burban et al. (2022)). The latest observations are for 10 September 2026.

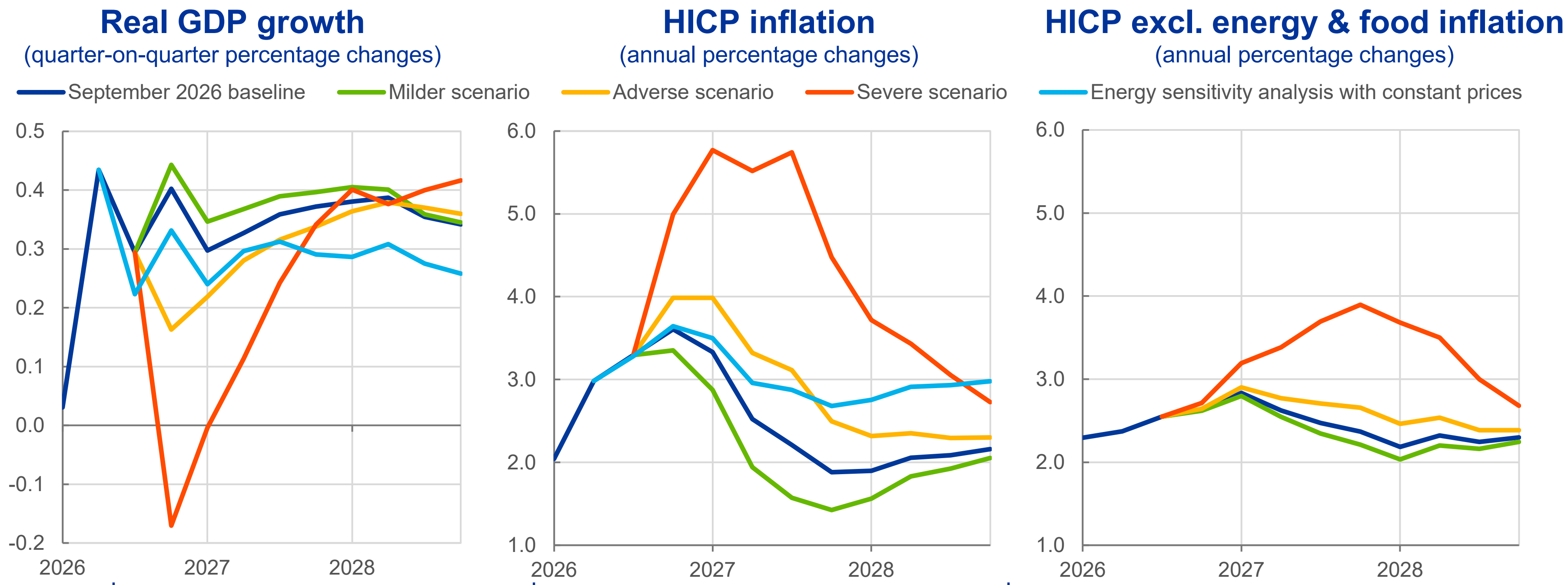
Overview of results of sensitivity and scenario analyses

(annual percentage changes)

		HICP Inflation			Real GDP Growth		
		2026	2027	2028	2026	2027	2028
2026 SEPTEMBER BASELINE PROJECTIONS		**3.0**	**2.5**	**2.1**	**0.9**	**1.4**	**1.5**
Energy prices	25th - 75th percentiles	2.9 - 3.2	1.9 - 3.1	1.7 - 2.4	0.9	1.2 - 1.5	1.2 - 1.7
	5th - 95th percentiles	2.7 - 3.6	1.2 - 4.7	1.2 - 3.2	0.9	0.9 - 1.7	0.4 - 2.1
	Constant prices	3.0	3.0	2.9	0.9	1.2	1.2
Exchange rate	25th - 75th percentiles	3.0	2.3 - 2.5	1.8 - 2.2	0.9	1.2 - 1.4	1.2 - 1.6
	Forward exchange rate	3.0	2.4	2.0	0.9	1.3	1.4
Middle East	Milder	2.9	1.9	1.8	0.9	1.5	1.6
	Adverse	3.1	3.2	2.3	0.9	1.1	1.4
	Severe	3.3	5.4	3.2	0.8	0.4	1.4
	Severe + jet fuel shortages	3.4	5.6	3.4	0.8	0.3	1.4
OVERALL		**2.7 - 3.6**	**1.2 - 5.6**	**1.2 - 3.4**	**0.8 - 0.9**	**0.3 - 1.7**	**0.4 - 2.1**

Sources: ECB staff calculations based on ECB staff projections and ECB-BASE model and Eurosystem model simulations.
Notes: the cut-off date for the technical assumptions and the global economy was 19 August 2026 and for the macroeconomic projections for the euro area 28 August 2026.
Simulations conducted under a forecast setting with the ECB-BASE with euro area monetary policy exogenous.

Euro area outlook in Middle East conflict scenarios

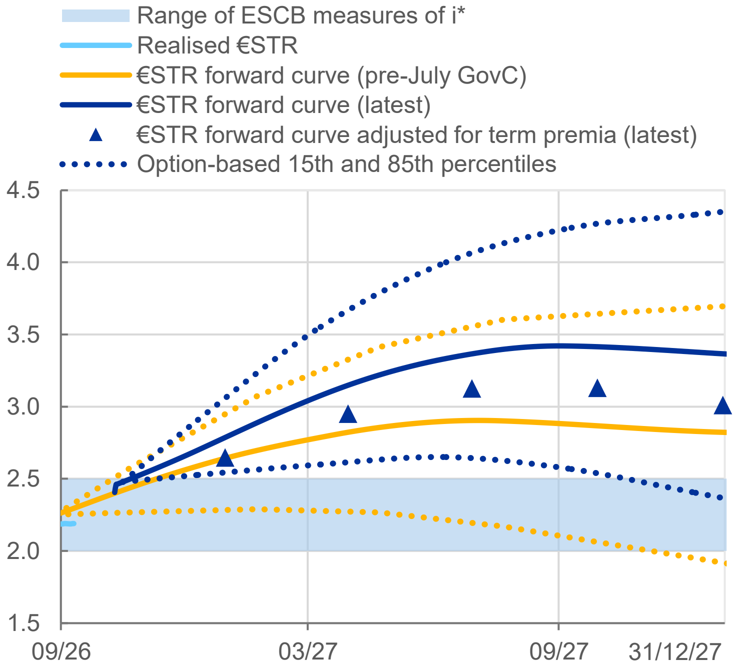


	Real GDP growth 2026	2027	2028	HICP inflation 2026	2027	2028	HICP inflation excluding energy and food 2026	2027	2028
September 2026	0.9	1.4	1.5	3.0	2.5	2.1	2.5	2.6	2.3
Milder scenario	0.9	1.5	1.6	2.9	1.9	1.8	2.5	2.5	2.2
Adverse scenario	0.9	1.1	1.4	3.1	3.2	2.3	2.5	2.8	2.4
Severe scenario	0.8	0.4	1.4	3.3	5.4	3.2	2.5	3.5	3.2
Constant energy prices	0.9	1.2	1.2	3.0	3.0	2.9	-	-	-

Source: ECB staff calculations based on ECB-BASE model simulations for scenarios. Results for constant energy prices are the average of BMEs, NAWM II and ECB-BASE. Note: simulations conducted under a forecast setting with the ECB-BASE with euro area monetary policy exogenous.

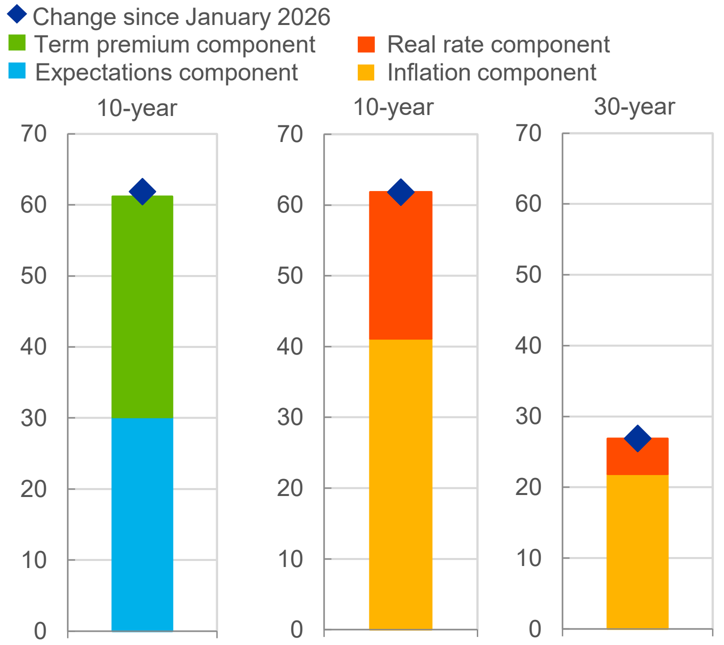
Forward curve and risk-free rates

€STR forward curve
(percentages per annum)



Sources: Bloomberg, LSEG and ECB calculations.
Notes: risk-neutral percentiles are derived from 3-month Euribor options. Premia-adjusted estimates are based on three models (two variations of Joslin et al. (2011), with and without surveys, and one following Geiger and Schupp (2018)). Range for (nominal) neutral rate i* (blue shaded range) reflects Eurosystem estimates. "Pre-July GovC" refers to 22 July 2026. The latest observations are for 10 September 2026.

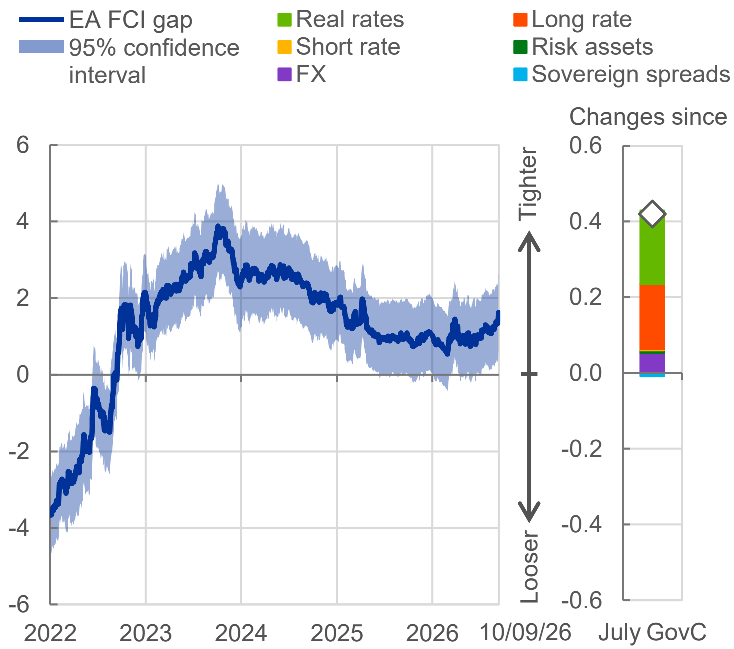
Decomposition of changes in euro area overnight index swap (OIS) rates
(basis points)



Sources: LSEG, Bloomberg and ECB calculations.
Notes: the term premium and expectations decompositions are based on models following Joslin et al. (2011) with and without surveys, and Geiger and Schupp (2018). The real rate component is the OIS rate minus the corresponding inflation-linked swap rate. "Change since January 2026" refers to change since 30 December 2025. The latest observations are for 10 September 2026.

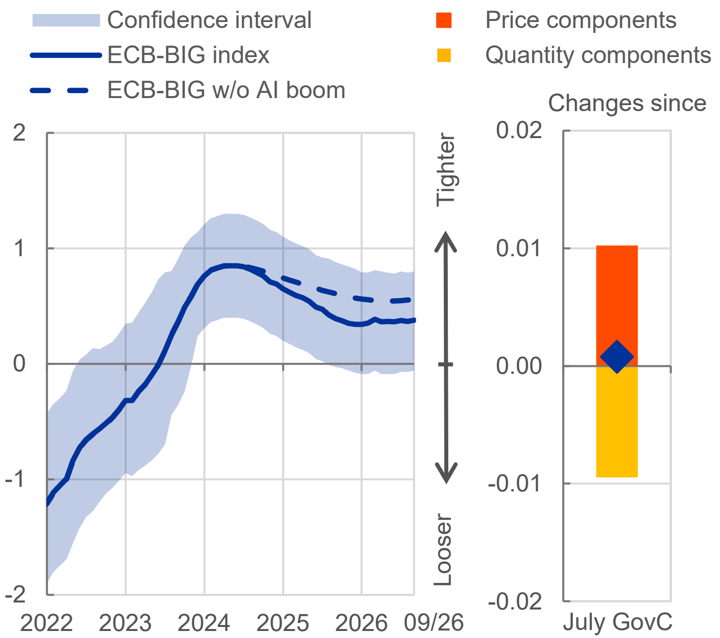
Financing conditions

Euro area financial conditions index (FCI)
(index)



Sources: Bletzinger et al. (2026) and ECB calculations.
Notes: the Macro-Finance FCI is shown as a gap from its neutral long-run mean (see Bletzinger, Martorana, Mistak, 2026). The bands show parameter estimation uncertainty. “July GovC” refers to 22 July 2026. The latest observations are for 10 September 2026.

Financing conditions according to the ECB-BIG index
(index)

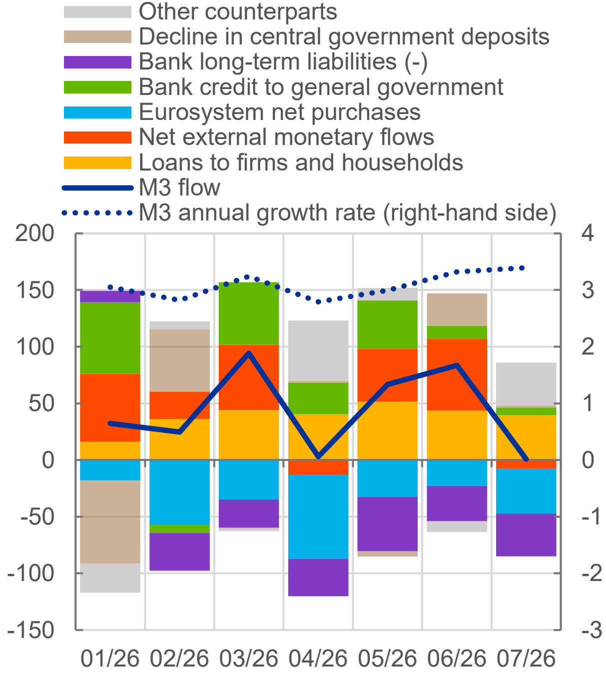


Sources: NL Analytics, PATSTAT, ECB, ECB projections database, Allayioti, Di Casola and Magistretti (2026) and ECB calculations.
Notes: the index uses a BVAR model with mixed-frequency. "Price components" include lending rates and the FCI; "Quantity components" include credit volumes and BLS data. Shaded areas represent the 90% confidence bands. Change since July GovC refers to the change with respect to July. The counterfactual assumes that the share of AI-patents after June 2024 remained constant, conditioning only on the AI news shock. The latest observations are for September 2026.

Monetary aggregates and credit developments

Sources of money creation

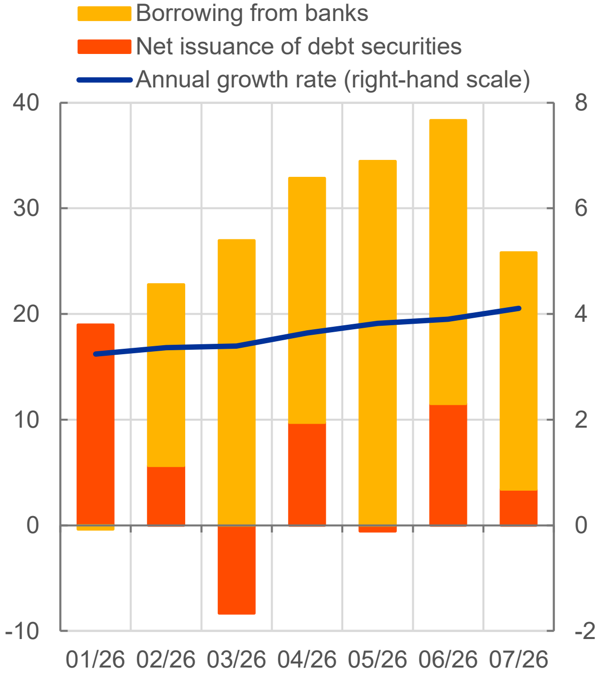
(left-hand scale: average monthly flows in EUR bn; right-hand scale: annual percentage changes)



Sources: ECB (balance sheet items) and ECB calculations.
Notes: for the quarterly frequency, the annual growth rate reports the growth rate of the last month in the given quarter. The latest observations are for July 2026.

Credit to firms in the euro area

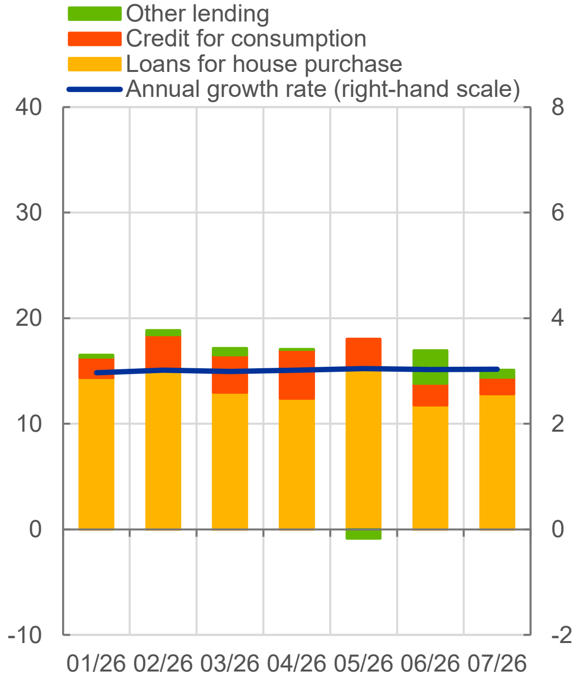
(left-hand scale: average monthly flows in EUR bn; right-hand scale: annual percentage changes)



Sources: ECB (balance sheet items) and ECB calculations.
Notes: bank loans are adjusted for sales, securitisation and cash pooling. The latest observations are for July 2026.

Loans to households in euro area

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

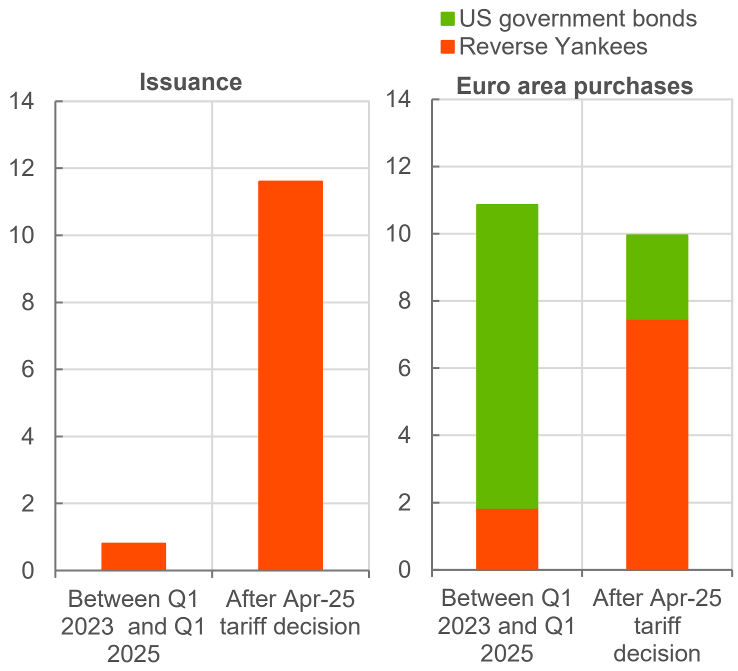


Sources: ECB (balance sheet items) and ECB calculations.
Notes: bank loans are seasonally adjusted and adjusted for sales and securitisation. The latest observations are for July 2026.

US issuance and euro area financing

Issuance and absorption of reverse Yankees

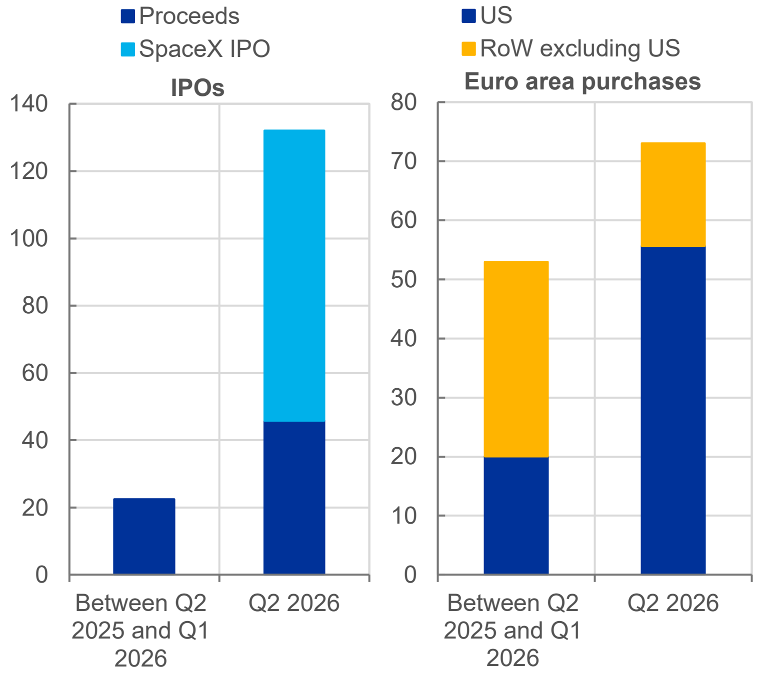
(average of quarterly flows in EUR billion)



Sources: ECB (SHSS, CSEC).
Notes: reverse Yankees refers to euro-denominated bonds issued by US firms. Euro area purchases refer to the non-MFI sector. The latest observations are for the second quarter of 2026.

US IPOs and euro area purchases of foreign equities

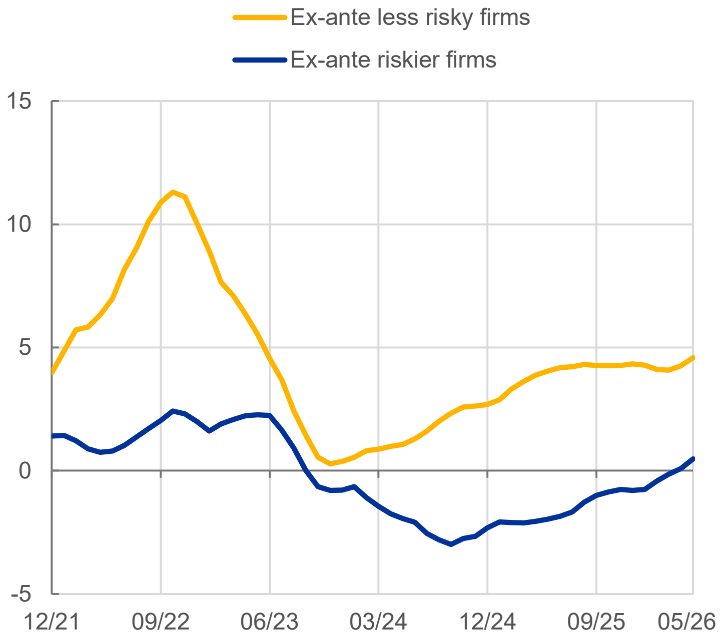
(average of quarterly flows in EUR billion)



Sources: ECB (SHSS) and Dealogic.
Notes: euro area purchases refer to the non-MFI sector. The latest observations are for the second quarter of 2026.

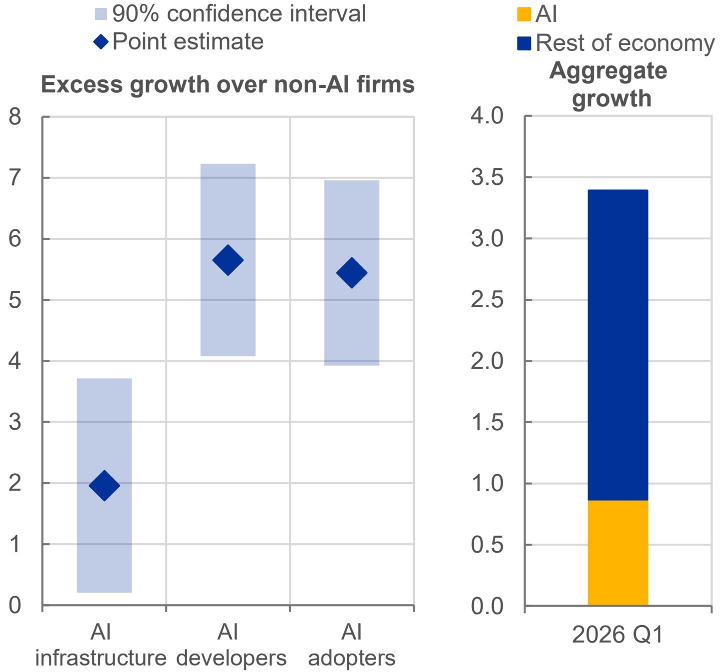
Banks' risk-taking and financing of AI firms

Loan growth by borrower riskiness
(annual percentages changes)



Sources: ECB (AnaCredit, balance sheet items) and ECB calculations.
Notes: the chart shows the 12-month growth rate per borrower group. Riskier (respectively less risky) borrowers are those with a probability of default above (respectively below) 1.6%, corresponding to 75th percentile in the distribution of new loans, excludes the effect of borrowers' migrations between different risk status. Rescaled to match BSI dynamics. The latest observations are for May 2026.

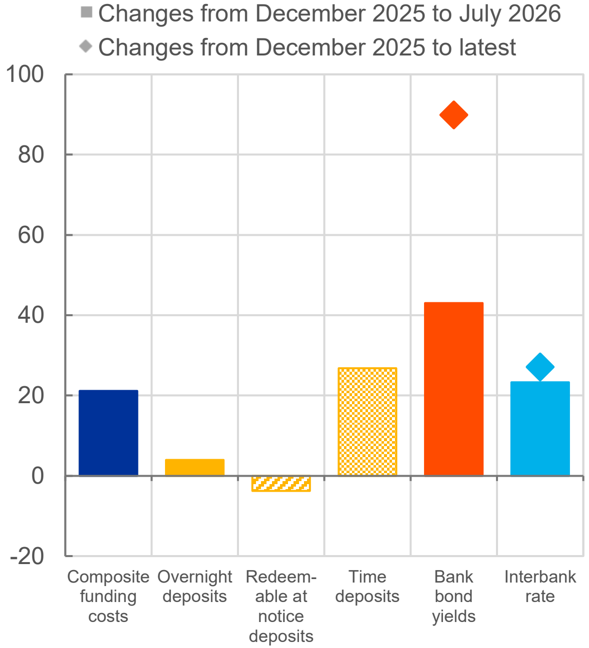
Financing of AI firms and aggregate credit growth
(percentage points)



Sources: ECB (BSI, CSEC), LSEG Data & Analytics, datacenters.com, European Patent Office Worldwide Patent Statistical Database and ECB calculations.
Notes: estimates show the difference in AI firms' average annual credit growth compared with non-AI firms since the first quarter of 2025. Estimations control for sector, size and firm location. The latest observations are for the first quarter of 2026.

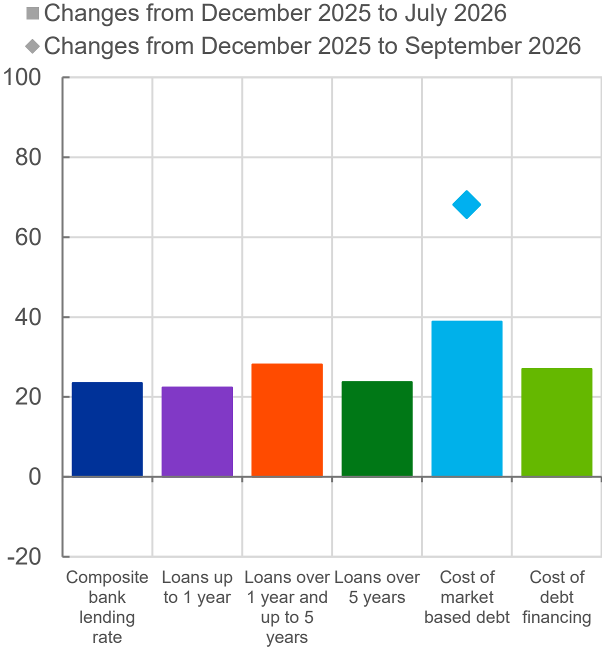
Bank funding costs and lending rates

Bank funding costs
(basis points)



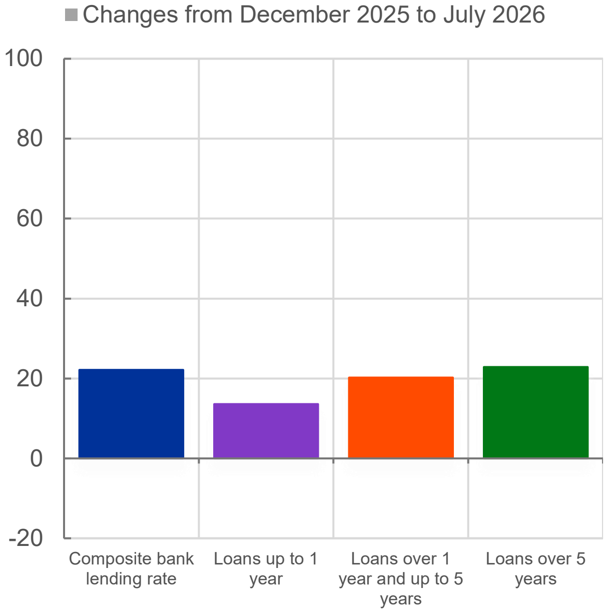
Sources: ECB (balance sheet items, MFI interest rates, Centralised Securities Database, Money Market Statistical Reporting), IHS Markit iBoxx and ECB calculations.
Notes: marginal funding costs weigh new business rates of each component by outstanding amounts. The latest observations are for July 2026 (bars), 10 September for latest bank bond yields and interbank rate.

Changes in firm costs of financing
(basis points)



Sources: ECB (MFI interest rates), Bank of America Merril Lynch and ECB calculations.
Notes: composite bank lending rates are calculated by aggregating short and long-term rates using a 24-month moving average of new business volumes. The latest observations are for July 2026 (bars), and 10 September for latest cost of market-based debt.

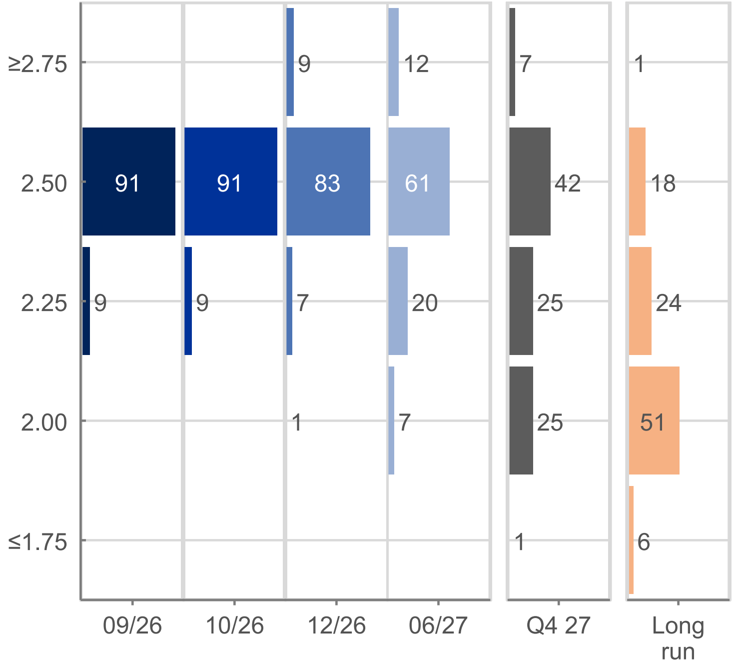
Changes in bank lending rates to households for house purchase
(basis points)



Sources: ECB (MFI interest rates) and ECB calculations.
Notes: composite bank lending rates are calculated by aggregating short and long-term rates using a 24-month moving average of new business volumes. The latest observations are for July 2026.

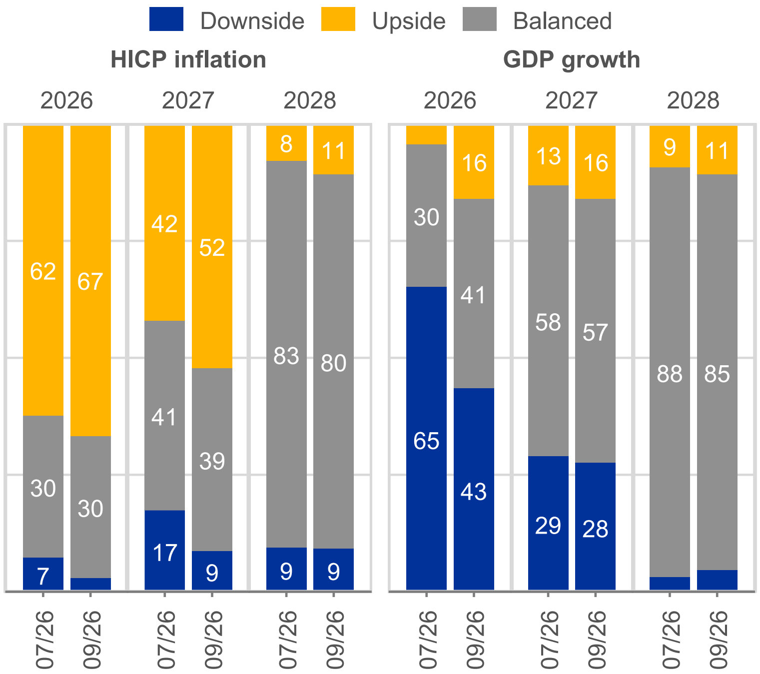
Survey of Monetary Analysts: DFR expectations and balance of risks

Expected DFR level at selected Governing Council meetings
(percentage of respondents)



Source: ECB Survey of Monetary Analysts (SMA).
Notes: total response counts for all projection horizons are as follows: 69 until the fourth quarter of 2027 and 67 for the long-term outlook. Percentages may not sum to 100%.

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



Source: ECB Survey of Monetary Analysts (SMA).
Note: Percentages may not add up to 100 due to rounding.