European
Commission

ISSN 2443-8014 (online)

European Economic Forecast

Spring 2025

INSTITUTIONAL PAPER 318 | MAY 2025

EUROPEAN ECONOMY

Economic and Financial Affairs

Luxembourg: Publications Office of the European Union, 2025

PDF ISBN 978-92-68-27422-4 ISSN 2443-8014 doi:10.2765/5652264 KC-01-25-052-EN-N

European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

Spring 2025

EUROPEAN ECONOMY

Institutional Paper 318

ABBREVIATIONS

Countries and regions

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

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

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

Economic variables and institutions

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

Other abbreviations

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

Graphs/Tables/Units

bbl	Barrel
bcm	Billion cubic meters
bn	Billion
bp. /bps.	Basis point / points
euro/MWh	Euro per megawatt hour
GW	Giga Watt
lhs	Left hand scale
mn	Million
pp. / pps.	Percentage point / points
pt. / pts.	Point / points
Q	Quarter
q-o-q%	Quarter-on-quarter percentage change
rhs	Right hand scale
tr	Trillion
y-o-y%	Year-on-year percentage change

Currencies

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

CONTENTS

LIST OF TABLES

LIST OF GRAPHS

LIST OF BOXES

FOREWORD

The world was largely unprepared for the sharp protectionist shift in US trade policy. The sweeping tariff hikes announced on 2 April sent shockwaves through the global economy. The swift response by financial markets prompted a suspension in their application, but the uncertainty unleashed by an unpredictable US trade policy will not subside in the near term and weighs heavily on the global outlook. The escalation of the standoff between the US and China adds to the damage. The agreement reached on 12 May to partially roll back tariffs is a positive development. However, tariffs remain elevated and will inevitably result in a gradual unwinding of US-Chinese trade flows.

As the world's most open economy, the EU is feeling the strain. Weaker economic expansion in global markets will inevitably drag on export growth. Survey data already point to deteriorating sentiment among households and businesses—who are thus likely to respond by curbing consumption and deferring investment.

Crucially, the current geoeconomic challenges highlight not just vulnerabilities of our economy, but also its solid economic fundamentals and institutional strengths. The EU's consistent support for a rules-based international order is reinforcing its pivotal role in global trade. At the same time, the credibility of EU institutions and the resilience of its financial system are enhancing the global appeal of euro-denominated assets in times of high volatility.

Extending and deepening our network of trade partnerships is more important than ever. It will help diversify trade flows and bolster resilience—and is also key to enhancing the EU's attractiveness as a base for firms seeking reliable access to global markets.

To fully reap the benefits of increased investor interest, the EU must move forward decisively on its capital markets' integration. But capital inflows only become an economic engine when channelled into productive investment. This in turn requires unlocking the growth potential of the Single Market: ensuring it is fit for today's drivers of growth and aligned with EU geopolitical, technological, and environmental strategic objectives.

The road ahead will be testing. But in a more uncertain, fragmented and volatile world, the EU still holds a strong hand. Let's make sure we play it well.

Maarten Verwey

Director General
Economic and Financial Affairs

MODERATE GROWTH AMID GLOBAL TRADE UNCERTAINTY

EXECUTIVE SUMMARY

The EU growth outlook has deteriorated, while inflation decelerates more swiftly.

This Spring Forecast projects real GDP growth in 2025 at 1.1% in the EU and 0.9% in the euro area– broadly the same rates attained in 2024. This represents a considerable downgrade compared to the Autumn 2024 Forecast (AF24), largely due to the impact of increased tariffs and the heightened uncertainty caused by the recent abrupt changes in US trade policy and the unpredictability of the tariffs' final configuration. Despite these challenges, EU growth is expected to rise to 1.5% in 2026, supported by continued consumption growth and a rebound of investment. Growth in the euro area is projected to reach 1.4% in 2026. Disinflation is anticipated to proceed more swiftly than expected in autumn, with new disinflationary factors from ongoing trade tensions outweighing higher food prices and stronger short-term demand pressures. After averaging 2.4% in 2024, headline inflation in the euro area is expected to meet the ECB target by mid-2025—earlier than previously anticipated—and to average 1.7% in 2026. Starting from a higher level in 2024, inflation in the EU is projected to continue easing to 1.9% in 2026.

The EU economy started the year on a slightly stronger footing than expected.

In the fourth quarter of last year, the EU economy grew by 0.4%, slightly surpassing the autumn projections. For the entire year, GDP growth reached 1.0%. The volume of government consumption expanded vigorously and provided a larger-than-expected contribution to EU growth, mainly through employment growth in the government sector. Growth in private consumption also exceeded expectations

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

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
Belgium	1.0	0.8	0.9	4.3	2.8	1.8	5.7	6.1	5.8	-0.2	-0.7	-1.0	-4.5	-5.4	-5.5
Germany	-0.2	0.0	1.1	2.5	2.4	1.9	3.4	3.6	3.3	6.1	5.3	5.3	-2.8	-2.7	-2.9
Estonia	-0.3	1.1	2.3	3.7	3.8	2.3	7.6	7.6	7.3	-2.0	-2.1	-2.0	-1.5	-1.4	-2.4
Ireland	1.2	3.4	2.5	1.3	1.6	1.4	4.3	4.3	4.4	17.0	12.6	11.6	4.3	0.7	0.1
Greece	2.3	2.3	2.2	3.0	2.8	2.3	10.1	9.3	8.7	-8.3	-8.2	-7.9	1.3	0.7	1.4
Spain	3.2	2.6	2.0	2.9	2.3	1.9	11.4	10.4	9.9	3.1	2.7	2.8	-3.2	-2.8	-2.5
France	1.2	0.6	1.3	2.3	0.9	1.2	7.4	7.9	7.8	-0.9	-0.6	-0.6	-5.8	-5.6	-5.7
Croatia	3.9	3.2	2.9	4.0	3.4	2.0	5.0	4.6	4.5	-0.7	-1.1	-1.1	-2.4	-2.7	-2.6
Italy	0.7	0.7	0.9	1.1	1.8	1.5	6.5	5.9	5.9	0.9	1.3	1.6	-3.4	-3.3	-2.9
Cyprus	3.4	3.0	2.5	2.3	2.0	2.0	4.9	4.7	4.6	-7.0	-6.5	-5.9	4.3	3.5	3.4
Latvia	-0.4	0.5	2.0	1.3	3.0	1.7	6.9	6.8	6.6	-3.3	-3.9	-3.5	-1.8	-3.1	-3.1
Lithuania	2.8	2.8	3.1	0.9	2.6	1.2	7.1	6.8	6.6	2.6	2.0	1.9	-1.3	-2.3	-2.3
Luxembourg	1.0	1.7	2.0	2.3	2.1	1.8	6.4	6.6	6.4	2.3	0.8	0.3	1.0	-0.4	-0.5
Malta	6.0	4.1	4.0	2.4	2.2	2.1	3.1	3.1	3.1	3.6	3.7	3.4	-3.7	-3.2	-2.8
Netherlands	1.0	1.3	1.2	3.2	3.0	2.0	3.7	3.9	4.0	10.0	10.2	10.6	-0.9	-2.1	-2.7
Austria	-1.2	-0.3	1.0	2.9	2.9	2.1	5.2	5.3	5.2	2.0	2.4	2.3	-4.7	-4.4	-4.2
Portugal	1.9	1.8	2.2	2.7	2.1	2.0	6.5	6.4	6.3	1.7	1.2	0.9	0.7	0.1	-0.6
Slovenia	1.6	2.0	2.4	2.0	2.1	1.9	3.7	3.7	3.8	4.6	4.7	4.8	-0.9	-1.3	-1.5
Slovakia	2.1	1.5	1.4	3.2	4.0	2.9	5.3	5.3	5.3	-1.6	-2.3	-2.5	-5.3	-4.9	-5.1
Finland	-0.1	1.0	1.3	1.0	1.7	1.5	8.4	8.6	8.3	-0.8	-0.7	-0.7	-4.4	-3.7	-3.4
Euro area	0.9	0.9	1.4	2.4	2.1	1.7	6.4	6.3	6.1	3.3	3.0	3.0	-3.1	-3.2	-3.3
Bulgaria	2.8	2.0	2.1	2.6	3.6	1.8	4.2	4.0	3.8	-0.8	-1.1	-1.0	-3.0	-2.8	-2.8
Czechia	1.1	1.9	2.1	2.7	2.2	2.0	2.6	2.6	2.6	1.2	0.8	0.5	-2.2	-2.3	-2.2
Denmark	3.7	3.6	2.0	1.3	1.6	1.5	6.2	6.2	6.3	13.0	13.7	13.5	4.5	1.5	0.6
Hungary	0.5	0.8	2.5	3.7	4.1	3.3	4.5	4.4	4.3	2.4	2.0	1.5	-4.9	-4.6	-4.7
Poland	2.9	3.3	3.0	3.7	3.6	2.8	2.9	2.8	2.8	0.2	1.0	0.7	-6.6	-6.4	-6.1
Romania	0.8	1.4	2.2	5.8	5.1	3.9	5.4	5.3	5.2	-8.5	-7.9	-7.0	-9.3	-8.6	-8.4
Sweden	1.0	1.1	1.9	2.0	2.2	1.6	8.4	8.7	8.4	7.0	6.8	7.0	-1.5	-1.5	-0.8
EU	**1.0**	**1.1**	**1.5**	**2.6**	**2.3**	**1.9**	**5.9**	**5.9**	**5.7**	**3.2**	**3.0**	**3.0**	**-3.2**	**-3.3**	**-3.4**

towards the end of the year, driven by solid increases in disposable income as the economy added over 1.7 million jobs, and nominal wages recovered the purchasing power lost to surging inflation. Despite a minor rise in the saving rate (from a still high level), consumption expanded by 1.3%. Net exports also bolstered growth, buoyed by a robust rise in services exports. The EU's economic expansion continued in the first quarter, with real GDP growth increasing by 0.3%. However, investment fell short of expectations due to high financing costs and already high economic policy uncertainty. The considerable contraction in equipment investment and residential construction was only partially offset by infrastructure investment. High frequency data and partial information from national sources point to a relatively strong performance of consumption, non-residential construction and exports.

High uncertainty surrounding the landing zone for the tariffs requires technical assumptions.

Since its inception, the US administration has announced a series of tariffs, culminating on 2 April in sizeable tariffs on imports from virtually all US trading partners. Following fierce market reactions, the tariffs were suspended on 9 April, accompanied by a number of carve-outs and exemptions for specific sectors and products. Nonetheless, trade tensions with China escalated when China retaliated. By the cut-off date of this forecast, US tariffs on Chinese imports stood at 145%, while Chinese tariffs on US goods were 125%. Given the high uncertainty on how the tariffs will eventually be implemented—i.e. affecting which countries or products, their duration, possible exemptions, and retaliatory actions—economic forecasts must rely on working assumptions. This forecast assumes that the high tariffs announced on 2 April will not be reinstated and that US tariffs on imports from the EU and nearly all other countries will stay at 10% (the level generally applied on 9 April), except for higher tariffs on steel, aluminium, and cars (25%), and exemptions on some products like pharmaceuticals and microprocessors. This technical assumption hinges upon the customary no-policy change assumption underpinning the European Economic Forecasts, in the sense that the pledged reinstatement of the tariffs announced on 2 April does not appear credible, if anything because it is conditional upon the outcomes of bilateral negotiations with the trade partners, which cannot be anticipated. Moreover, the baseline projections do not include any retaliatory tariffs by the EU. Finally, the forecast assumes a significant reduction in trade flows between the US and China, even though at tariff rates significantly lower than those in effect at the cut-off date, which were not assessed as tenable. The suspension of the high bilateral tariffs agreed on 12 May vindicates this assessment.

Trade tensions dampen the global growth and trade outlook, but also commodity prices.

In 2024, stronger-than-expected growth in China and robust performance in the US pushed global growth (excluding the EU) to 3.6%. Looking ahead, growth momentum is expected to weaken. Global growth outside the EU is projected at 3.2% for both 2025 and 2026, below the 3.6% anticipated in autumn. Although trade growth remained robust in the first quarter of 2025, likely due to advance purchases ahead of tariffs, global trade (outside the EU) is expected to expand at a rate well below global economic activity over the forecast horizon. Weakening global demand weighs heavily on energy commodity prices, especially in a context of expanding oil production. By the cut-off date of this forecast, Brent oil prices hovered just above $60 per barrel—a notable 10% drop from the futures price for the second quarter of 2025 observed last autumn. TTF gas prices saw similar declines.

Lower external demand for EU goods detracts from economic growth.

EU exports are expected to grow by a modest 0.7% this year and 2.1% in 2026, in line with the lower global demand for goods. This marks a significant downward revision from the autumn projections (at 2.2% and 3.0%, respectively). Weakness in exports is amplified by competitiveness losses, as well as heightened trade uncertainty. Although EU firms are adapting their trade strategies in response to geopolitical tensions and trade fragmentation (see Special Issue 2), many might hesitate to bear the high fixed costs associated with e.g. product adaptation, regulatory compliance, and finding new distribution networks, necessary to enter new export markets. Growth in imports was also revised down, in line with lower export growth and weaker domestic demand, although the re-routing of some Chinese exports and the euro's appreciation lend some support to import growth. Consequently, in 2025, net external demand is set to subtract nearly 0.5% from growth, but this drag is expected to fade in 2026. Despite adverse trade volume developments, the sharp drop in energy commodity prices, cheaper industrial goods imports, and a stronger currency will enhance the terms of trade further. These movements in terms of trade help maintain a largely unchanged inflow of income from the rest of the world. As a result, the current account surplus is expected to fall only slightly from 4.4% of GDP in 2024 to 4.2% in both succeeding years.

Elevated uncertainty and a tightening of financial conditions exert a drag on investment growth.

Following a 1.9% contraction in 2024, gross fixed capital formation is expected to expand over the forecast horizon. With a growth rate of 1.5% in 2025 and 2.4% in 2026, the expected rebound and acceleration are significantly less pronounced than projected in autumn. Depressed capacity utilization lowers investment needs, while uncertainty heightens the option value of deferring investment. Moreover, despite ongoing easing of monetary policy, the adverse and volatile market response to trade tensions negatively affect financing conditions. In the first quarter, banks reported some tightening of credit standards—even before the financial turmoil of early April. While corporate bond spreads narrowed again after the suspension of tariffs, longer-term interest rates remain above their level in the AF24. Equipment investment is expected to be disproportionately affected by this challenging environment, barely expanding this year and only modestly picking up in 2026. After contracting for two years, residential construction is poised to recover in 2025 and enter more vigorous expansion in 2026. Conditions for households appear slightly more favourable than for corporates. Infrastructure, as well as R&D investment, are set to expand more vigorously—partly supported by RRF and the deep digital transformation needs of businesses.

Labour markets remain resilient and real wages expand further.

The modest GDP growth achieved in 2024 still led to further employment expansion. The job intensity of growth has begun to decline from high levels and is expected to normalize further over the forecast horizon, with employment expanding by about 1% cumulatively over 2025 and 2026—slightly less than the autumn projection, but still adding 2 million jobs. As the labour force expands more modestly, the EU unemployment rate is projected to decline to a new historic low of 5.7% in 2026. Tight labour markets and improving productivity are set to drive further wage growth. After increasing by 5.3% in 2024, growth in nominal compensation per employee is expected to slow to 3.9% in 2025 and 3.0% in 2026. On aggregate in the EU, this year, real wages should fully recover the purchasing power losses accrued since mid-2021, though in a few Member States the recovery in real wages is still lagging behind.

Consumption continues to expand, though it remains constrained by a still elevated saving rate.

Continued gains in employment and wages, along with decelerating inflation and a slight decline in net interest payments (see Box I.4.2), support a further increase in household gross disposable income. However, the drop in consumer confidence in March, and more markedly in April, suggests that consumption might continue to be restrained by precautionary saving motives. This is in addition to efforts to rebuild wealth buffers eroded by inflation and a decline in real estate valuations (see Box I.3.1). Consequently, the saving rate is expected to decline more gradually than previously thought, from 14.8% in 2024 to 14.2% in 2026. Real private consumption is forecast to grow by 1.5% this year, with a strengthening anticipated in 2026. In contrast, growth of public consumption is projected to slow to 1.7% in 2025 and, under the customary no-policy-change assumption, to decelerate further to 1.3% by the forecast's final year.

Inflation is set to return to target already in 2025 and fall below 2% in 2026, while monetary policy turns neutral.

Several factors exert downward pressure on EU inflation. First, significantly lower energy commodity prices and downward-sloping forward curves are driving consumer energy inflation into negative territory this and next year. Second, as the trade relationship between the US and China unwinds, competitive pressures on non-energy industrial goods in the EU are intensifying, leading to a decrease in this component's inflation. Third, the appreciation of the euro and other EU currencies amplifies disinflationary pressures on imported commodities and goods. These forces are partially offset by higher inflation in food and services. Headline inflation in the euro area is expected to decrease from 2.4% in 2024 to an average of 2.1% in 2025 and 1.7% in 2026. In the EU, inflation is set to follow similar dynamics, dropping from a slightly higher rate in 2024 to 1.9% in 2026. Underlying price pressures remain somewhat sustained but broadly consistent with the headline target. As disinflationary pressures intensify, markets anticipate a marginally looser monetary policy over the forecast horizon. Based on market pricing, policy rates are expected to reach the lower end of the 1.75%-2.25% range that the ECB considers neutral.

The fiscal stance is also set to turn broadly neutral in 2025

Following a slightly contractionary fiscal stance in 2024, the forecast suggests that the fiscal stance will turn broadly neutral in 2025 on average in both the EU and the euro area. For 2026, the no-policy-change forecast continues to indicate a neutral fiscal stance. After falling to 3.2% of GDP (3.1% of GDP in the euro area) in 2024, the EU general government deficit is anticipated to rise by more than 0.1 percentage points in 2025 and only marginally in 2026, reaching 3.4% of GDP in 2026 (3.3% in the euro area). Eleven Member States reported a deficit exceeding 3% of GDP in 2024, and this figure is projected to decrease to nine by 2026. After stabilizing in 2024 at around 82% (89% in the euro area), the debt ratio is expected to edge up to about 84.5% of GDP in 2026 (91% in the euro area), with five Member States exceeding a 100% debt ratio. This modest increase is attributed to a less favourable interest-growth-rate differential, alongside significant stock-flow adjustments. The impact of activating the National Escape Clause of the Stability and Growth Pact, providing flexibility for higher defence expenditure over 2025-2028, is not yet fully visible in this forecast (see Special Issue 3). While by the cut-off date of the forecast a majority of Member States had requested its activation, their defence spending plans were not specified enough to be included in the baseline projections. The same applies to the German parliament's decision to boost defence and investment spending (see Box I.4.1).

Risks to the outlook are tilted to the downside

An escalation of trade tensions between the EU and the US could depress GDP and rekindle inflationary pressures. Intensified trade tensions between the US and other major trading partners could also have ripple effects on the EU economy (see Special Issue 1). Recent market stress episodes have highlighted the potential for contagion from non-bank financial institutions, which—if affecting the banking sector—could impair credit flows. Persistent inflation in the US, potentially due to tariff-induced supply shocks, might compel the Federal Reserve Bank to tighten monetary policy again, leading to adverse spillovers on global financial conditions and EU external demand. On the upside, the trade deal between the US and China agreed on 12 May, which set tariffs significantly lower than assumed in this forecast, can be seen as a positive upside risk to the baseline projections, though possibly weakening some of the disinflationary pressures. A reduction in EU-US trade tensions, along with renewed momentum in trade negotiations with other countries and regions, would support EU growth Moreover, external headwinds could prompt faster progress on EU structural reforms, especially in the Single Market and the Savings and Investment Union. Germany's planned increase in infrastructure and defence spending could support economic activity, lifting growth in Germany and in the EU (see Box I.4.1). Additional defence spending, leveraging on the Stability and Growth Pact's flexibility, might also stimulate economic activity—albeit as a secondary benefit to the primary goal of enhanced security for the EU as a whole (see Special Issue 3). Lastly, the increasing frequency of climate-related disasters underscores a persistent downside risk. Without stronger climate adaptation and mitigation efforts, the economic and fiscal costs of such events are likely to rise, further undermining resilience and growth.

PART I

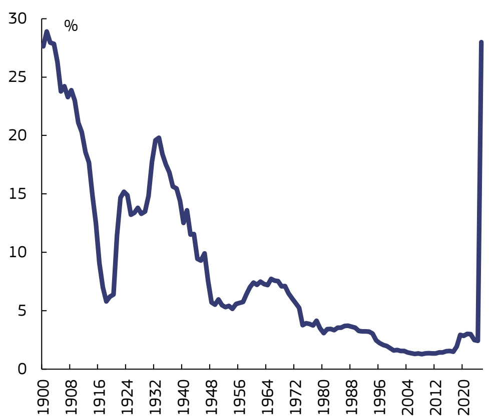
Economic outlook for EA and EU

1. SETTING THE SCENE

The EU economy ended 2024 on a stronger footing than anticipated, and the stage seemed set for a gradual acceleration in economic activity. Real GDP growth in the fourth quarter of 2024 turned out slightly better than expected, and data revisions for earlier quarters were positive too. As a result, activity is now reported to have expanded by 1% in 2024 — a modest pace, but a welcome shift after the stagnation of the previous year. With the gradual easing of restrictive monetary policy, financing costs were expected to fall further. Continued tightness in the labour market was set to support further gains in nominal compensation per employee, allowing real wages to recover all purchasing power losses incurred since end-2021 by 2025 — and continue growing thereafter. Private-sector balance sheets remained sound, offering a solid foundation for renewed investment. On the fiscal side, governments were progressing along a path of slow but steady consolidation. On the external front, world imports were forecast to expand steadily, supported by a rebound in goods trade and continued resilience in services.

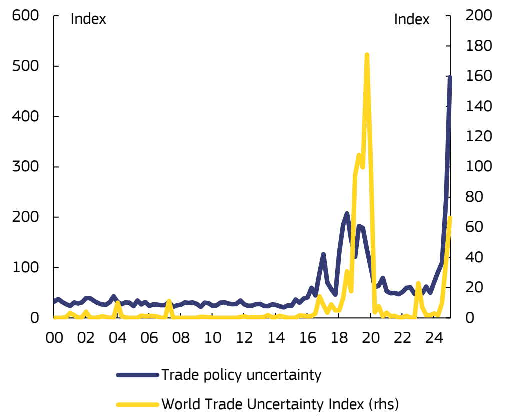
Yet, in early 2025 the EU and global economies were hit by the most significant policy-induced trade and economic uncertainty shock in decades. The first months of the Trump administration, which took office in January 2025, saw a wave of executive orders raising tariffs on goods imports from an expanding list of countries and products. Framed as actions to hold Mexico and Canada accountable for drug trafficking and illegal immigration, the US imposed 25% tariffs on goods deemed non-compliant with the US-Mexico-Canada Agreement (USMCA). This was followed by 25% tariffs on steel, aluminium, automobiles and auto parts from all countries — hitting producers in the EU, Japan, Korea and North America. On 2 April, the US introduced a 10% baseline tariff on most imports, along with higher duties on countries with which it runs the largest trade deficits. The EU faced tariffs of up to 20%, while some smaller economies in Africa and Asia were hit even harder, while tariffs on Chinese goods increased to 54%. As a result, the effective US tariff rate surged to levels unseen since the early 20th century (see Graph I.1.1). The unpredictable and seemingly arbitrary nature of these measures pushed trade policy uncertainty to record highs, comparable only to levels seen during the COVID-19 pandemic and the global financial crisis (see Graph I.1.2).

Graph I.1.1: **US effective tariff rate on imports**



Source: Bureau of Economic Analysis, The Budget Lab analysis.

Graph I.1.2: **Global trade uncertainty**

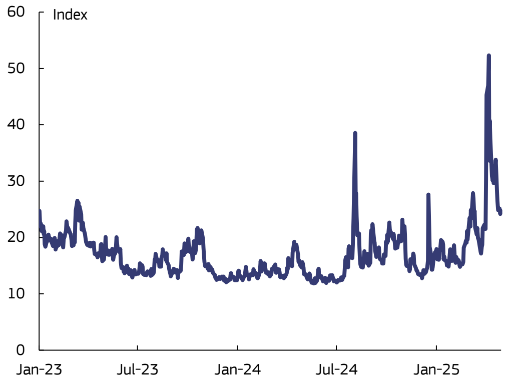


Source: worlduncertaintyindex.com

The US tariffs announcements caught markets by surprise, forcing a swift recalibration of growth expectations and a repricing of assets. US equity markets, which had rallied after the November 2024 elections and peaked shortly after the January inauguration, started declining after mid-February and dropped sharply following the 2 April announcement. The Nasdaq, previously leading the gains, was among the hardest hit. Yields on 10-year US Treasuries, which had risen until mid-January, started falling as concerns over US growth mounted. But on 2 April the

10-year yield suddenly reversed course, increasing by some 50 basis points in less than one week. The dollar, which had also initially strengthened on expectations of stronger growth, also reversed course in mid-February, and losses accelerated after the April tariff announcement, fully erasing the earlier appreciation. This unusual combination of rising yields and a depreciating dollar was widely read as a loss of confidence in US policy credibility. Risk premia widened across asset classes. Commodity prices — especially oil and industrial metals — also declined amid fears of weakening global trade. In Europe, equity indices followed suit, while sovereign yields edged down as capital moved out of the US and into bond markets in the EU and other advanced economies. Yields and stock indices also declined in other major economies, including Japan and the UK.

Graph I.1.3: **Volatility index, US**



Source: CBOE.

Following fierce market reactions, on 9 April the US administration suspended "reciprocal" tariff rates, and additional carve-outs were granted in the following days. The backlash forced the US administration to backtrack on its "reciprocal tariffs". However, the 10% minimum tariff and the 25% sector-specific tariffs remain in place. At the same time, the administration escalated trade tensions with China — raising baseline tariffs on Chinese imports in waves, from 10% in February to 145% at the cut-off date of this forecast. China responded with tariffs on US farm goods, regulatory pressure on American firms, and 125% tariffs on US imports. After the initial turbulence in early April, market volatility remained high and sentiment fragile, as uncertainty over US trade policy persisted (see Graph I.1.3). While equity markets rebounded — recovering most of their post-2 April losses and returning by early May to levels close to those at the start of April — the recovery did not extend to bond yields or the dollar. Ten-year Treasury yields remained below post-election highs, and the dollar stayed weak in nominal trade-weighted terms.

The uncertainty surrounding the tariff regime prevailing over the forecast horizon forces this forecast to rely on technical assumptions. The situation remains fluid and still subject to policy shifts, thus necessitating the use of ad hoc technical assumptions. These are detailed in the Box I.1.1 together with other technical assumptions. Importantly, the individualised "reciprocal" higher tariffs are assumed to not be reinstated at the expiry of the 90 days suspension. The forecast also assumes that the exceptionally high tariffs on Chinese imports, imposed after 2 April, will be scaled back to pre-escalation levels, as they are deemed unsustainable. Nevertheless, based on the stated US policy objective of reducing its merchandise trade deficit with China, the forecast assumes a 20% drop in bilateral merchandise trade in 2025, followed by another 20% in 2026 compared to 2024 levels. Developments after the cut-off date largely support this approach: on 12 May, the US and China agreed to substantially roll back tariffs. At the time of publication, the new tariffs in place are lower than those assumed at the cut-off. The possible extension of the new tariffs agreed on 12 May over the whole forecast horizon is an upside risk to our global growth forecast. Still, two factors warrant caution. First, the agreement only temporarily lowers tariffs. There is still considerable uncertainty about the final outcome of the negotiations and the risk of renewed escalation persists if talks were to break down. Second, the tariffs in place — 30% on Chinese exports to the US and 10% on US exports to China — remain significantly higher than pre-escalation levels and are still set to result in an unwinding of the US-China trade relationship.

Beyond trade, broader geopolitical tensions remain elevated, reinforcing uncertainty, weighing on confidence, and posing significant risks to the economic outlook. Security concerns have intensified, as the war in Ukraine continues without signs of resolution. Despite efforts involving the US, the EU or individual Member States, Russia and Ukraine, a durable peace agreement offering sufficient guarantees to Ukraine and the EU remains elusive. Meanwhile, the

Middle East remains unstable. Besides the intolerable human toll it is causing, it poses continued risks of abrupt repricing in energy markets. Adding to the sense of insecurity, contradictory signals from the US regarding its NATO commitments have heightened EU security concerns. Against this backdrop, the urgency to bolster defence capabilities has come to the fore. The Readiness 2030 package, presented by the European Commission in March, aims to support Europe's defence industry, deepen the single defence market, and enable an increase in defence spending — including, where needed, through the activation of the Stability and Growth Pact's national escape clause in a coordinated manner. By the forecast cut-off date, Member States had requested this activation, but their defence spending plans remained insufficiently detailed to be included in the baseline. The same applies to the German parliament's decision to boost defence and investment spending.

Box I.1.1: **Technical elements and general assumptions behind the forecast**

This box details the technical and ad hoc assumptions underlying this forecast. The cut-off date for taking information into account in this European Economic Forecast was 30 April 2025.

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 between 14 and 25 April 2025 (see Table 1 in this box and Table 31 in the Statistical Annex)[1]. 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 the average level during the reference period of 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 EU are derived from the average level over the reference period of the implicit forward three-month OIS (overnight indexed swap) rates, corrected for the average spread over the reference period between the three-month EURIBOR rate and the OIS swap rate with a similar maturity (i.e. three-month). 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, to derive assumptions for long-term interest rates of the other EU Member States as well as of the countries outside EU examined in the forecast[2].

Commodity prices

Assumptions for Brent oil, gas and electricity prices are based on futures markets, using the average over the 10-day reference period between 14 and 25 April.

Trade policies and assumptions

For trade policy, this forecast pencils in only the measures that have been implemented until the cut-off date and includes bans on specific exports and imports (see https://eu-solidarity-ukraine.ec.europa.eu/eu-sanctions-against-russia-following-invasion-ukraine_en).

Table 1: **Technical assumptions**

		Spring 2025 Forecast			Autumn 2024 Forecast		
	2023	2024	2025	2026	2024	2025	2026
3-month EURIBOR (percentage per annum)	3.4	3.6	2.0	1.7	3.5	2.1	2.0
10-year government bond yields (percentage per annum) (a)	2.4	2.3	2.5	2.7	2.3	2.3	2.4
USD/EUR exchange rate	1.08	1.08	1.11	1.13	1.09	1.08	1.08
GBP/EUR exchange rate	0.9	0.8	0.9	0.9	0.8	0.8	0.8
RMB/EUR exchange rate	7.66	7.79	8.12	8.29	7.80	7.72	7.72
JPY/EUR exchange rate	151.8	163.9	161.6	162.0	163.9	163.3	163.3
EUR nominal effective exchange rate (annual percentage change) (b)	6.98	2.95	3.72	1.38	2.95	3.72	1.38
Natural gas (EUR/Mwh) (c)	41.4	34.6	38.1	32.6	33.9	39.8	34.8
Electricity (EUR/Mwh) (d)	102.1	76.3	82.8	78.6	72.2	86.4	81.6
Oil price (USD per barrel)	82.5	80.5	67.7	64.0	80.7	73.1	71.5
Oil price (EUR per barrel)	76.3	74.4	60.8	56.4	74.2	67.4	65.9

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

(1) Given the importance of Türkiye as EU trading partner, an exception to the constant nominal-exchange rate assumptions was made for all bilateral exchange rates of the Turkish lira, due to the outlook of persistently high inflation in the country. The nominal exchange rate of the Turkish lira vis-à-vis the EUR is assumed to be 35.57 in 2024, 42.01 in 2025 and 43.3 in 2026.

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

(Continued on the next page)

Box (continued)

ESA 2010

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

Calendar effects on GDP growth and output gaps

The number of working days may differ from one year to another. The Commission's annual GDP forecasts are not adjusted for the number of working days, but quarterly forecasts are. The working-day effect in the EU and the euro area is estimated to be limited over the forecast horizon, implying that adjusted and unadjusted annual growth rates differ slightly (about -0.1pps. in 2025 and around 0.1pps. in 2026), though it may be significant in the case of some Member States. Since the working-day effect is considered temporary, it is not incorporated in the estimates of potential GDP and output gaps.

EGR: Net expenditure indicator and fiscal stance

With the reform of the Stability and Growth Pact (SGP) (3), Member States' fiscal commitments are expressed in terms of country-specific net expenditure paths. The new focus on such net expenditure paths is operationalised through a new net expenditure growth indicator. The net expenditure growth is the single operational indicator used to assess Member States' compliance with Council fiscal recommendations. Moreover, for the purpose of assessing the impulse provided by fiscal policy to the economy, the Commission services monitor the growth of a similar (somewhat broader) net expenditure-based metric relative to medium-term potential GDP growth.

The inclusion of the Recovery and Resilience Facility in the forecast

Transactions related to the RRF in the forecast are recorded in line with Eurostat's 'Guidance note on the statistical recording of the Recovery and Resilience Facility' of 7 October 2021 (https://ec.europa.eu/eurostat/documents/1015035/12618762/GFS-guidance-note-statistical-recording-recovery-resilience-facility.pdf). In particular, this implies that, except for 2020, the budgetary impact of any expenditure or other costs financed with non-repayable financial support ('grants') from the RRF is neutralised in revenue projections by matching transfers received from the EU. Expenditure financed by loans from the RRF are not neutralised and thus affect the government balance, while the loans by the RRF are recorded as Member States' debt towards the EU.

Budgetary data and forecasts

The forecast incorporates validated public finance data up to 2024 as published in Eurostat's news release of 22 April 2025 (4). In this press release, Eurostat withdraws its reservation on the quality of data reported by Estonia for 2023. The Estonian statistical recorded the relevant expenditures in 2023. 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. The no-policy-change forecast includes all fiscal policy measures that imply a change to past policy orientations on the condition that they are sufficiently detailed as well as adopted or at least credibly announced by the cut-off date.

In line with Eurostat's press release, EU and euro area aggregates for general government balance and debt are based exclusively on the Member States' balances and debt. For debt, whereas Eurostat publishes the consolidated figures (corrected for intergovernmental loans, including those made through the European Financial Stability Facility), the projections in the forecast years 2025 and 2026 are published on a non-consolidated basis. To ensure consistency in the time series, historical data are also published on the same basis. For 2024, this implies an aggregate debt-to-GDP ratio that is somewhat higher than the consolidated general government debt ratio published by Eurostat in its news release 22 April 2025 (by 1.5 pps. in the euro area and by 1.2 pps. in the EU).

(3) Regulation - 2024/1263 - EN - EUR-Lex ; Regulation - EU - 2024/1264 - EN - EUR-Lex
(4) Euro area government deficit at 3.1% and EU at 3.2% of GDP

(Continued on the next page)

Box (continued)

2. Ad hoc technical assumptions underlying the forecast

US tariffs

The following table details the technical assumptions on tariffs.

Table 2: **Tariff assumptions**

Tariff	Announced	Effective	Status	Ad hoc assumption
Sector tariffs				
25% tariff on stee and aluminum products	February 10, 2025	March 12, 2025	In effect	In effect over forecast horizon
25% tariff on automobiles	March 26, 2025	April 3, 2025	In effect	In effect over forecast horizon
25% on auto parts	March 26, 2025	May 3, 2025	In effect	25% tariff on all auto parts in effect over forecast horizon (1)
Canada	February 1, 2025	March 4, 2025		
- 25% tariff on non USMCA-compliant goods	February 1, 2025	March 4, 2025	In effect	In effect over forecast horizon
- 25% tariffs on USMCA-compliant goods	February 1, 2025	March 4, 2025	Delayed	Not reinstated over forecast horizon
-10% tariff on oil and gas	February 1, 2025	March 4, 2025	Delayed	Not reinstated over forecast horizon
Mexico	February 1, 2025	March 4, 2025		
- 25% tariff on non USMCA-compliant goods	February 1, 2025	March 4, 2025	In effect	In effect over forecast horizon
- 25% tariffs on USMCA-compliant goods	February 1, 2025	March 4, 2025	Delayed	Not reinstated over forecast horizon
Most other countries (2)				
10% universal duty on all imported goods with follwoing exemptions: Copper, Pharmaceuticals, Semiconductors, Electronics, Lumber articles, Critical minerals, Energy and energy products	April 2, 2025	April 5, 2025	In effect	In effect over forecast horizon
Additional tariffs of 10%-80% on countries/regions having a bilateral trade surplus	April 2, 2025	April 9, 2025	Delayed for 90 days for all countries, bar China	Not reinstated over forecast horizon
China				
145% tariff on all Chinese goods	February 1, 2025	February 4, 2025; Increased March 4, 2025; Increased April 9	In effect	It is assumed that the 54% rate announced before the April 9 escalation is in place over the forecast horizon and same rate applies to US exports to China. This, together with non-tariff barriers, is assumed to lead to a reduction in bilateral trade in goods in volume terms, relative to 2024 levels, of 20% in 2025 and a further 20% in 2026.

Notes: (1) Temporary tariff relief in the form of an "import adjustment offset" for parts used in vehicles assembled in the United States is neglected. (2) Imports from Belarus, Cuba, North Korea, and Russia (known as Column Two countries) are subject to their separate duty rates only.

Russian invasion of 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 4.3 million by January 2025. [5] It is assumed that the number of active temporary protection registrations will stay broadly stable over 2025 before decreasing to 4.1 million by the end of 2025 and to 3.8 million by the end of 2026. [6] Over 2025, new registrations are expected to continue declining at the average rate observed in the last two years, while downward revisions by Member States (i.e. data revisions by Member States reflecting people who returned to Ukraine, moved on to another country, or attained another status in their country of residence) are expected to continue at a rate reflecting the average over the same period. This results in the projection of an annual average of people seeking protection of about 4.2 million in 2025 and 4.0 million in 2026. 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 in line with the Autumn 2024 Forecast.

(5) Eurostat [data code: migr_asytpsm].

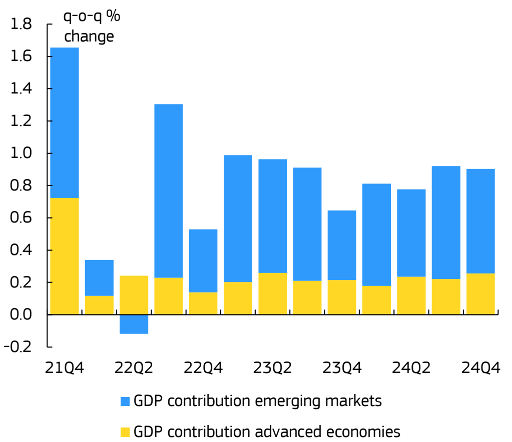
(6) These technical assumptions are not meant as predictions of the development of the conflict, nor of policy decisions made by the EU or Member States related to the temporary protection scheme.

2. INTERNATIONAL ENVIRONMENT

A more restrictive trade environment and higher uncertainty are set to slow global economic activity and in particular trade. In the Autumn Forecast, global growth was projected to reach 3.3% in both 2025 and 2026, the same pace of growth seen in 2024, though still below the average pace recorded before the pandemic. Global trade was expected to pick up momentum in 2025 and 2026 and to grow broadly in line with GDP. The current forecast revises the global outlook for growth and trade significantly downward. Aside from the direct impact of tariffs, weighing particularly on merchandise trade flows, the sharp rise in trade policy uncertainty is set to affect both investment and consumption. Concerns over longer term geo-economic fragmentation may also affect investment plans and the efficiency of supply chains, adversely affecting productivity. Following the pandemic and energy price shocks, which reduced fiscal buffers and prompted a strong monetary policy response, the policy space to address renewed vulnerabilities appears limited for many advanced and emerging economies.

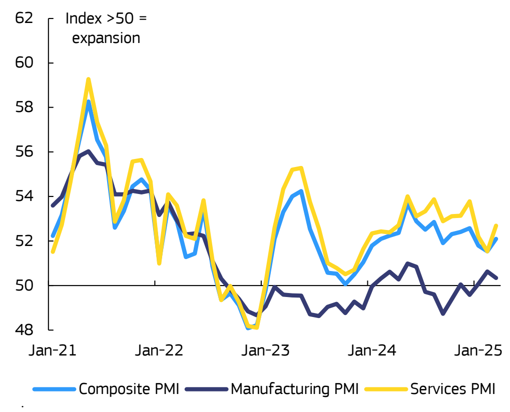
The global economy registered a steady albeit moderate expansion in late 2024, but early year survey data for 2025 point to some fall in momentum. Global economic activity is estimated to have expanded by around 0.8% q-o-q in 2024-Q4 (see Graph I.2.1). This was only marginally slower than the 0.9% expansion seen in 2024-Q3. The global economy is estimated to have grown by 3.3% in 2024, the same pace as in 2023. Advanced economies are estimated to have grown by 1.9% and emerging and developing economies by 4.3%. China grew by 5%, and the US by a strong 2.8%, with both ending the year on a solid footing. Recent survey data (PMIs) for March 2025 continue to show expansion but they have deteriorated in April (see Graph I.2.2). The Global composite PMI fell from 52 in March to 50.8 in April. The services PMI fell from 52.6 in March to 50.8 in April, while the manufacturing PMI weakened slightly from 50.3 in March to 49.8 in April. Both manufacturing and service PMIs are a little stronger for the emerging economies than for the advanced economies.

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



Sources: OECD, IMF and national sources.

Graph I.2.2: **World PMIs**



Source: S&P Global.

Global inflation eased through 2024, though the beginning of 2025 saw renewed inflationary pressures across both advanced and emerging economies. Headline inflation in the majority of G20 economies eased through 2024, helped by the continued decline in goods price inflation and – especially in the second part of the year - some moderation in energy prices. However, inflation ticked up again in early 2025 with inflation in emerging markets rising from 3.1% in December 2024 to 3.5% in March 2025 and for advanced economies from 2.2% in December to 2.6% in March. Services and shelter (rent) inflation remains elevated in some economies (e.g. UK, Canada, US). In emerging economies, inflation shows significant regional divergence, with inflation rates in the Asian region typically very low or even in negative territory

(China, Indonesia) or continuing to fall (India), while in Latin America the disinflation process has slowed and inflation remains elevated in some economies (e.g. Mexico, Brazil).

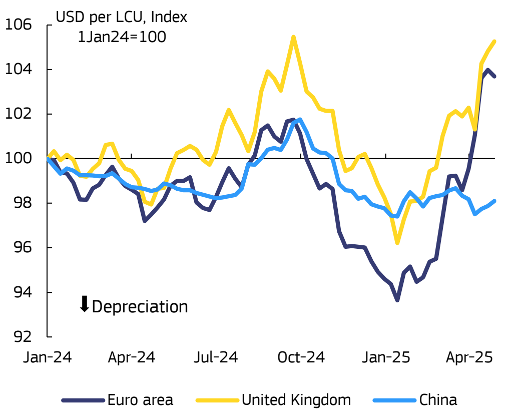
Global financial conditions have tightened amid market volatility, shifting sentiment, and elevated uncertainty. Global financial conditions tightened abruptly in early April as markets reacted badly to US tariff announcements, with sharp selloffs. Although markets have since rebounded, financial conditions are tighter than in the autumn. Despite the volatility in bond yields in recent weeks, ten-year yields in the US are now close to levels at the time of the Autumn Forecast, while in the EU, UK and Japan they are a little higher. However, sentiment towards risks assets has soured somewhat, and spreads and risks premiums have widened – particularly for corporates, including in the US. By the cut-off date of the forecast, equity markets had regained most of the losses incurred since 2 April, but volatility remains high, and the elevated uncertainty is likely to weigh on credit developments until the outlook becomes clearer. The sharp appreciation of the US dollar in November through to January, and equally steep depreciation since mid-January, has added another element to the mix of factors affecting global financial conditions.

Real GDP contracted in 2025-Q1 in the US, and forward-looking indicators suggest a worsening of the outlook. The US economy expanded at a healthy pace of 2.8% in 2024 with employment gains and rising real wages supporting robust household consumption. The US unemployment rate was 4.2% in March, roughly unchanged since mid-2024. Although domestic demand continued to expand in the first quarter, by 0.6% q-o-q, an apparent shift towards imports in anticipation of tariffs led to a surprise 0.1% q-o-q GDP contraction. Sentiment has also shifted profoundly. The University of Michigan consumer sentiment index plunged to 52.2 in April 2025 from 71.1 in January on expectation of higher inflation and weaker economic activity and similar negative trends are visible in US companies' investment intentions. The March NFIB survey of small businesses shows that business uncertainty is at record high levels. Headline PMIs have materially worsened since December, mainly on the loss of impetus in the services sector, with the S&P services PMI falling to 51.4 in April, from 56.8 in December. The manufacturing PMIs moved into expansionary territory in April 50.7, up from 49.4 in December, but this partly reflects some business stockpiling in anticipation of tariffs.

The US economy is expected to slow down in 2025 and 2026. The unprecedented increase in the effective tariff rate on US imports, and very elevated policy uncertainty is projected to affect households' consumption and firms' investment decisions, with consumers pulling back on spending and businesses delaying corporate investment. Employment growth is set to slow down and the unemployment rate to increase moderately. With wage growth stalling just as tariffs spill over to consumer prices, household incomes are likely to receive a hit. The ongoing worsening of financial conditions is expected to further bear on personal consumption and fixed investment, while higher mortgage rates may weigh on residential investment. The higher tariffs and weaker dollar are set to significantly reduce import growth, while less dynamic global demand and more expensive production inputs are projected to weigh on exports over the forecast horizon. The current account balance is forecast to improve modestly but the deficit, at 3.4% of GDP in 2026, is expected to remain large. Overall, the US economy is forecast to grow by 1.6% in both 2025 and 2026, down by 0.5 pps. in 2025 and 0.6 pps. in 2026 relative to the AF24. The forecast (i) assumes that the Tax Cuts and Jobs Act of 2017 will expire at the end of 2025, in line with its legal provisions, (ii) does not account for the various government saving proposals under discussion, which for now are highly uncertain, and (iii) makes assumptions about the extra customs revenue from the new tariffs. Together, these assumptions lead to projection of a gradual reduction in the US headline fiscal deficit, from 7.5% of GDP in 2024 to 5.8% of GDP in 2026. Currently there is a particularly high risk that the TCJA will be extended for another 10 years or longer, and that the extra revenue from tariffs will be lower than pencilled in, due to some import tariff rates being lower than was assumed in the baseline for this forecast. Should either of these risks materialize, the US headline deficits in 2025-2026 may be substantially higher than projected.

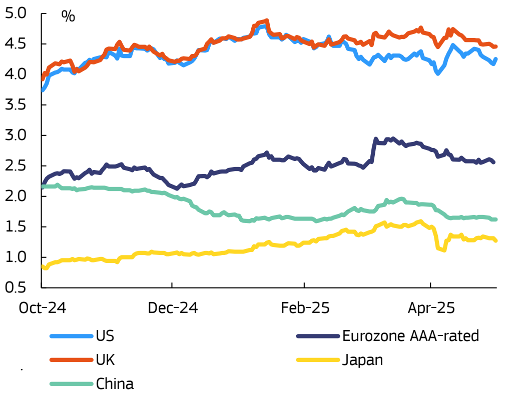
Tariffs are set to push up inflation in the US over the forecast horizon. CPI inflation in the US already proved sticky in late 2024, rising from 2.4% in September to 3% in January 2025, though it eased to 2.4% in March, partly on account of lower energy prices. Inflation excluding energy and food – which had been stuck at around 3.3% since last September, driven largely by housing and services - also eased in March to 2.8%. Nevertheless, inflation is expected to rise later this year as the higher import tariffs are passed through to consumer prices. CPI inflation is expected to reach 3% in 2025 (up by 1 pp compared to the AF24), moderating to 2.3% in 2026 (up by 0.3 pps. compared to the AF24). Assuming medium term inflation expectations remain anchored, this may be a one-off shift in the price level. With economic growth expected to fall below potential, this slower return of CPI inflation towards the Fed's 2% inflation target may create some tension between the Fed's dual goals of maximising employment and achieving price stability.

Graph I.2.3: **Exchange rates vs USD**



Notes: Negative numbers mean depreciation.
Sources: IMF and ECB.

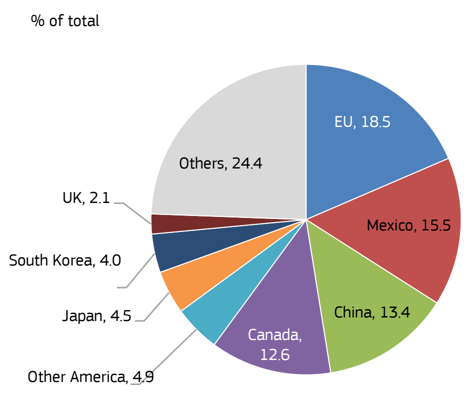
Graph I.2.4: **10-year government bond yields of major World economies**



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

The outlook for other advanced economies has also softened, particularly for those in the firing line of tariffs. The introduction of the tariffs on Canada assumed in the baseline is expected to have a serious impact on the Canadian economy, given Canada's high trade exposure to the US, leading to several quarters of somewhat slower growth. The outlook has been downgraded significantly, by 0.8 pps. in both 2025 and 2026. Projections for the UK have also been marked down. After a solid first half of 2024, momentum in the UK tailed off entirely towards the end of the year, implying both a lower carry-over and a more delayed rebound than was anticipated in the AF24, with additional drag also exerted by the shifts in global trade policy. Projections for Japan were lowered due to fragile domestic demand and the worse external environment. A larger revision was made for South Korea, reflecting both weaker export prospects and the political turmoil at the end of 2024 which is expected to have weighed on household spending in the first quarter of 2025.

Graph I.2.5: **US imports by country of origin in 2024**



Source: US census Bureau.

China's growth surprised on the upside in late 2024 and early 2025, with net exports providing a boost. Growth accelerated in 2024-Q4, bringing annual growth to 5%. The October-November policy package, the most ambitious since the pandemic, appears to have given the economy a late-year boost, aided by rapid growth in exports in the second half of 2024. Growth remained strong in 2025-Q1 at 5.4% y-o-y, driven by household spending and net exports.

Manufacturing exports picked up strongly as US buyers advanced purchases expecting higher tariffs. The property sector continues to deliver mixed signals: after some improvement in late 2024, prices and sales of residential floor space fell in the first two months of 2025, with inventories remaining high, particularly in lower-tier cities. Government interventions, such as developer financing programs and local government purchases of unsold units, have been slow to materialise and largely ineffective in boosting demand.

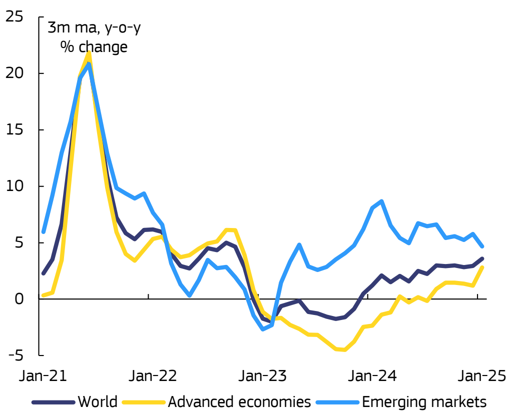
China's domestic demand is still held back by structural factors, and trade prospects have become more uncertain, weakening the growth outlook. Growth in household consumption remains burdened by decelerating income growth, disappointing labour market outcomes and negative wealth effects stemming from the property crisis. The tariffs recently imposed by the US have significantly hardened China's access to the US market, and the baseline scenario assumes a 40% reduction in US-China bilateral trade in goods over 2025-26. The US share in China's exports had declined to about 15% in 2024, or 3% of GDP. While the drag on China's economy is therefore still considerable, the impact can potentially be offset to some extent by looser domestic policy. The latest Government Work Report reaffirmed a 5% growth target for 2025, maintaining an ambitious policy stance. To support this target, however, fiscal policy would need to play a much greater role. Overall, growth in China has been revised downwards compared to the autumn and is now expected to ease to 4.1% in 2025 and a little further in 2026.

Prospects for other EMEs are also weaker than in autumn, though the outlook varies widely both across and within regions. India's economy started to slow in the second half of 2024 on account of weak exports and household consumption growth. Together with higher external uncertainty, this has led to a downward growth revision relative to the autumn. India's economy is nevertheless expected to remain one of the fastest-growing major economies in 2025. Growth in ASEAN is expected to remain relatively robust in both 2025 and 2026, particularly in Indonesia, the Philippines, and Vietnam. In most economies, domestic demand will remain a key driver of growth. Export performance and growth are expected to moderate compared to the AF24, in line with heightened uncertainties stemming from the deteriorating external environment and the expected slowdown in growth and trade in China. The US tariffs on Mexico (25% on all goods) were postponed for one month until the beginning of April, though they are assumed to be in place over the forecast horizon. This has already increased business uncertainty and worsened investment sentiment in Mexico and is likely to push the economy into a recession. In Argentina, the economic stabilisation program of President Milei has started to bear fruit, with the economy rebounding strongly in the second half of 2024. Consequently, the outlook for Argentina has been upgraded significantly. After performing above expectations for three consecutive years, the Brazilian economy slowed in the second half of 2024, while interest rates were hiked again as inflation remained persistent. The economy therefore faces a weaker outlook than projected in the AF24 for both 2025 and 2026. The downward pressures on oil prices will likely reduce growth in Saudi Arabia and the region, but with some offsetting benefits for oil importers.

Global goods trade recovered in 2024 and was boosted by frontloading of imports to the US ahead of the looming tariffs. Global merchandise trade recovered steadily in 2024, with volumes growing 2.4%, compared to the 1% decline in 2023. Emerging economies were the main drivers of global goods trade, with trade growth of 4.8% in 2024, compared to just 1% growth for advanced economies. Excluding the EU, global merchandise trade growth was more dynamic expanding by 3.4% in 2024. Merchandise trade towards the end of 2024 and in early 2025 appears to have benefited from frontloading of imports to the US ahead of the looming tariffs. This is also set to boost global trade flows in 2025-Q1, with some offsetting decline later in the year. Merchandise goods volumes in January and February of 2025 were some 3.6% higher than in the same two months of 2024, according to CPB data.

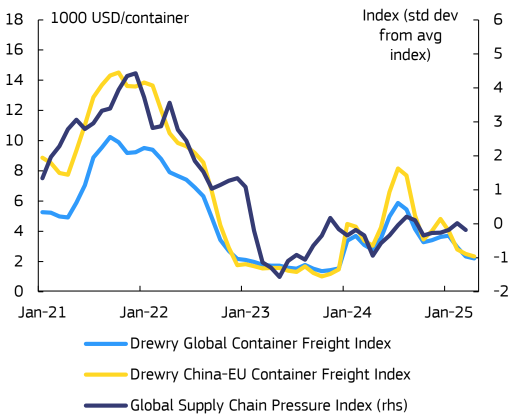
The tariff escalation, and unprecedented levels of trade policy uncertainty, will weigh on global trade growth ahead. Tariffs are expected to accelerate trade diversion away from the US and likely reduce long term trade efficiency and foster trade fragmentation. Overall, global goods trade is projected to weaken substantially compared to 2024 but to still grow positively over the forecast horizon, supported by further monetary easing in advanced economies. Services trade growth is forecast to remain relatively resilient over the forecast horizon as it is not directly subject to tariffs. However, the growth rate of services is projected to slow as the tariff-induced weakening of global goods trade is also set to negatively affect transport-related services.

Graph I.2.6: **Growth in global goods trade**



Source: Own calculations based on CPB data.

Graph I.2.7: **Container shipping costs and supply-chain pressure index**



Sources: Drewry and New York Fed.

Supply chain pressures eased in early 2025, with shipping rates declining substantially. After gradually increasing since October 2024, the Federal Reserve Supply Chain Pressure index [1] declined in April 2025 to levels below its long-term average (-0.29). Supplier delivery times have remained stable so far in 2025. With the maritime shipping industry having adjusted to the de facto closure to traffic of the Red Sea, transit rates in the Suez Canal remain around the lowest point since the start of the pandemic. By contrast, traffic along the Panama Canal has been restored, with daily transit rates returning to pre-drought levels. The combination of the end of US import frontloading, the sharp tariff-driven decline of shipping demand for U.S-China routes and heightened trade policy uncertainty has led container rates to halve since the beginning of the year.

Overall, projections for both global growth and trade are weaker than at the time of the Autumn Forecast. For 2024, the higher outturns for China and strong performance in the US imply a slight mark-up in global growth (excluding the EU) relative to autumn, to 3.6%. Thereafter, the growth momentum is expected to weaken materially. For 2025 global growth (excluding the EU) is now projected at 3.1% for 2025 and 3.2% for 2026, compared to 3.6% for both years in the autumn. This reflects the above-mentioned downgrades to some large advanced and emerging market economies, including the US, China, Canada, UK, Japan, India, and Mexico. Including the EU, global GDP growth is projected to be 2.9% in 2025 and 3% in 2026 – an adjustment of -0.4 pps. and -0.3 pps. respectively, relative to the AF24.

Projections for global trade (ex-EU) are substantially weaker than in the autumn, mainly reflecting the impact of tariffs included in the baseline. Although trade growth remained robust in 2025-Q1 due to frontloaded purchases ahead of tariffs, this is set to level off, and a more restrictive trade environment is expected to dampen global trade growth. Overall, global trade is now projected to expand well below the pace of global economic growth over the forecast horizon.

(1) The index integrates a number of commonly used metrics with the aim of providing a comprehensive summary of potential supply chain disruptions.

Table I.2.1: **International environment**

(Annual percentage change)					Spring 2025 Forecast			Autumn 2024 Forecast		
	(a)	2021	2022	2023	2024	2025	2026	2024	2025	2026
					Real GDP growth					
Japan	3.3	2.7	0.9	1.5	**0.1**	**0.7**	**0.6**	*0.2*	*1.2*	*1.0*
United Kingdom	2.2	8.6	4.8	0.4	**1.1**	**1.0**	**1.3**	*1.0*	*1.4*	*1.4*
United States	14.9	6.1	2.5	2.9	**2.8**	**1.6**	**1.6**	*2.7*	*2.1*	*2.2*
Emerging and developing Asia	35.6	7.5	4.6	5.8	**5.2**	**4.7**	**4.7**	*5.3*	*5.1*	*5.0*
- China	19.5	8.6	3.1	5.4	**5.0**	**4.1**	**4.0**	*4.9*	*4.6*	*4.4*
- India	8.3	9.7	7.6	9.2	**6.5**	**6.4**	**6.4**	*7.2*	*6.9*	*6.7*
Latin America	7.3	7.4	4.0	2.3	**2.1**	**1.8**	**1.8**	*1.8*	*2.4*	*2.6*
- Brazil	2.4	4.8	3.0	3.2	**3.4**	**2.0**	**1.5**	*3.1*	*2.3*	*2.4*
MENA	5.5	4.6	5.9	2.1	**2.2**	**3.2**	**3.7**	*2.3*	*3.7*	*3.5*
Eastern Neighbourhood and Central	1.1	4.6	3.4	4.6	**4.9**	**4.3**	**3.8**	*4.1*	*4.1*	*3.5*
Russia	3.5	5.9	-1.4	4.1	**4.3**	**1.7**	**1.2**	*3.5*	*1.8*	*1.6*
Sub-Saharan Africa	3.3	4.3	3.6	2.5	**2.9**	**3.7**	**4.1**	*2.9*	*4.1*	*4.5*
Candidate Countries	2.4	9.6	-1.4	5.0	**3.3**	**2.7**	**3.7**	*3.2*	*3.2*	*4.3*
World excluding EU	85.6	6.6	3.5	3.9	**3.6**	**3.1**	**3.2**	*3.5*	*3.6*	*3.6*
World	100.0	6.5	3.5	3.4	**3.3**	**2.9**	**3.0**	*3.2*	*3.3*	*3.3*
					Trade of goods and services, volumes					
World excluding EU		11.3	4.8	1.9	**3.7**	**2.0**	**2.2**	*3.4*	*3.4*	*3.4*
World		11.1	5.7	1.1	**2.9**	**1.8**	**2.2**	*2.6*	*3.1*	*3.3*
					Trade of goods, volumes					
World excluding EU		11.9	2.2	-0.2	**3.4**	**1.6**	**2.0**	*3.1*	*3.5*	*3.4*
World		11.7	3.1	-0.9	**2.3**	**1.3**	**2.0**	*2.1*	*3.2*	*3.3*
					Trade of services, volumes					
World excluding EU		10.0	16.4	10.2	**4.8**	**3.2**	**3.0**	*4.2*	*3.2*	*3.3*
World		9.4	15.8	7.8	**4.4**	**2.9**	**2.8**	*4.0*	*2.9*	*3.1*

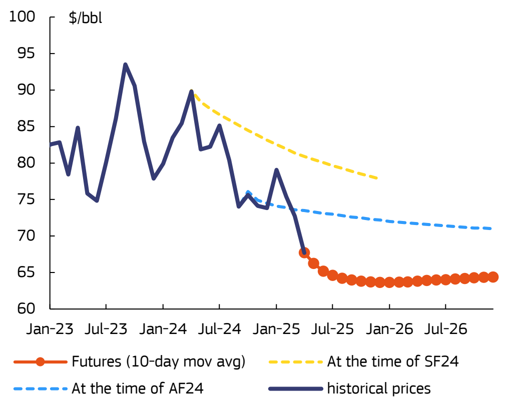
(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2024.(b) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

Oil prices have dropped sharply since the Autumn Forecast amidst fear of weakening global demand and oversupply concerns. After the tariff announcement by the US, Brent prices dropped 16% in less than a week to 64 USD/bbl on 8 April. The subsequent suspension of part of the tariff regime and US-Chinese attempts at rapprochement have helped to stabilise prices, although they remain at a lower level than before 2 April. On the supply side, the OPEC+ announcements in April and May to increase supply more than originally scheduled depressed futures prices further. Moreover, non-OPEC+ members are also projected to increase production. At the same time heightened sanctions pressure against Iran and Venezuela from the US is exerting some upward pressure on prices.

Markets expect crude prices to continue falling until 2025-Q4 and stabilise thereafter. For 2025-Q2 Brent futures point to a price around 67 USD/bbl, around 9% lower compared to those assumed in the Autumn Forecast. Quarterly averages of Brent futures continue to drop for the following two quarters, then stabilise at around 64 USD/bbl in 2025-Q4 and remain broadly at that level over the rest of the forecast horizon. The oil price in euro terms is expected to be even lower, especially in 2026. Overall, quarterly averages of Brent futures over the forecast horizon are on average nearly 10.5% lower in USD terms than at the time of the Autumn Forecast. Risks are high for oil prices in both directions. Substantial uncertainty emanates from the US administration and its erratic trade policies. Potential trade deals might buoy markets expectations about future oil demand, while escalating trade tensions would pull prices even lower. On the supply side, increases by OPEC+ countries and an end to the war in Ukraine would decrease prices. At the same time an additional expansion of the US sanction regimes against Iran and Venezuela would constrict global supply. Similar supply side risks are still associated with a renewed escalation in the Middle East.

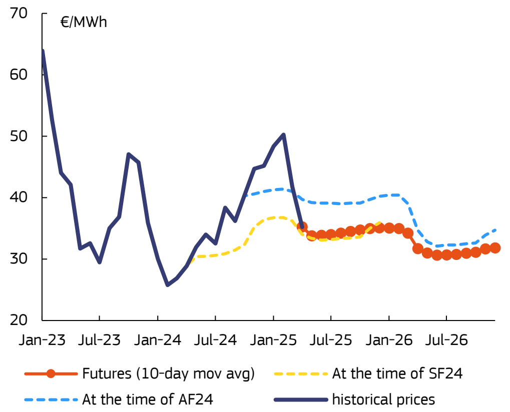
European TTF gas prices almost halved in recent months and are expected to remain lower than anticipated in autumn over the forecast horizon. The halt of Russian piped gas transit via Ukraine on January 1 and lower than average winter temperatures led to European gas storage inventory dropping faster below the seasonal average, leading to higher prices, which peaked at 59 EUR/MWh in mid-February. Since then, gas prices have fallen steeply to 32 EUR/MWh by the end of April, the cut-off date of this forecast. The decline was led by both weaker demand expectations and a steady supply outlook. Moreover, warmer than usual weather in March and April and increased renewable energy generation added to downward pressure on prices. Looking forward, the expansion of new LNG export capacity led by the US and Qatar may lead to less market pressures. [2] Compared to the autumn, the futures contracts curve shifted lower, by around -4% in 2025 and -6% in 2026, on average. After increasing by 10% in 2025 over 2024, futures suggest that gas prices in the EU are expected to drop by 14% in 2026, averaging 36 EUR/MWh. Reflecting these lower gas prices, average European wholesale electricity futures also decreased by around 4% over the forecast horizon, compared to the autumn. Electricity prices are expected to be 9% higher in 2025 compared to 2024, but to decline by 5% in 2026.

Graph I.2.8: **Brent oil prices**



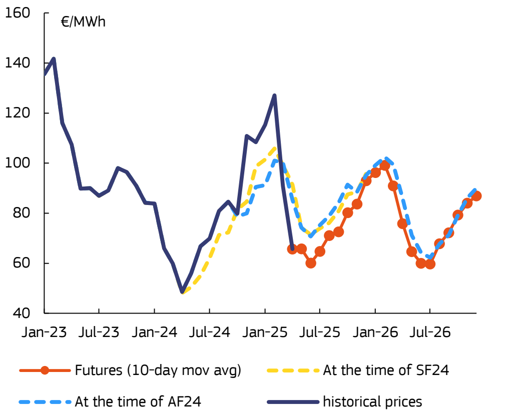
Source: S&P Global.

Graph I.2.9: **TTF gas futures prices**



Source: S&P Global.

Graph I.2.10: **Electricity futures prices**



Source: S&P Global.

European agricultural produce prices rose in 2025-Q1 but are expected to fall over the forecast horizon. Compared to the Autumn Forecast both agricultural produce prices and their expected future trajectories have shifted upwards but remain downward sloped over the forecast horizon. Most prominent drivers of the recent increases were beef, cheese, cocoa and coffee. Prices for beef were supported by reduced international and domestic supply. Supply side constraints, particularly a scarcity of raw milk and associated high milk prices, were driving cheese price increases. Cocoa and coffee prices were pushed up by a combination of production problems in key suppliers and robust global demand. The projected fall in prices over the forecast horizon is shared by both animal and vegetable products, with vegetable products showing a more pronounced decline, driven by palm oil, rapeseed oil, cocoa, coffee and sugar.

Precious metal prices continue to rise, while industrial metal prices have started to drop, although futures curves for both remain upward tilted. Precious metal prices have been steadily increasing since the beginning of the year and continued rising after the 2 April US tariff announcement, as the uncertainty drove investors into safer assets. Precious metal futures indicate further price increases over the forecast horizon. In contrast, industrial metals like copper, aluminium and steel, have declined in the wake of the escalating US tariffs, with futures curves also shifting downwards but remaining tilted upwards over the forecast horizon.

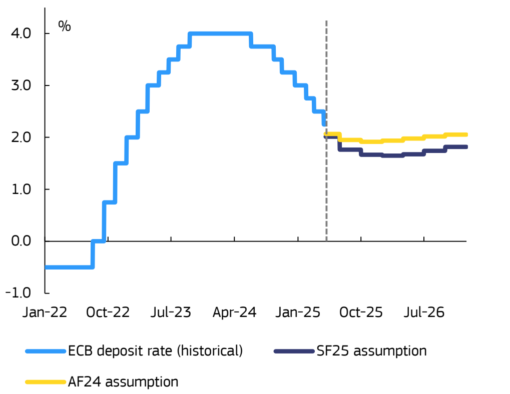
(2) International Energy Agency (Gas Market Report, Q1-2025)

3. FINANCIAL CONDITIONS IN THE EU

Since the Autumn 2024 Forecast, the ECB has cut rates four times - each time by 25bps. The ECB has continued to lower its policy rates as the disinflation process has remained on track, with both headline and underlying inflation declining towards the ECB's inflation target. Since the start of the easing cycle in June 2024, the main policy rate – the deposit facility rate - has been lowered by 175 bps, to 2.25%. The rate on main refinancing operations was lowered to 2.40% and the marginal lending facility rate to 2.65%.

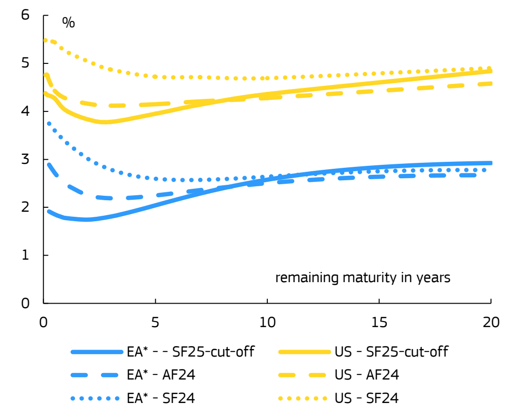
Markets have marginally reassessed the ECB future policy rate path. The ECB Governing Council reaffirmed in the April meeting that it would continue to follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance to ensure that inflation stabilises sustainably at its 2% medium-term target. Reflecting a sharp decline in short-term inflation expectations in the context of increasing downside risks to the growth outlook, at the cut-off date of the forecast markets expected the policy rate to go down to 1.65% in the second half of this year (through two to three additional 25 bps cuts) before increasing very mildly to 1.8% by end 2026. This implies about 20-30 bps lower short-term rates than assumed at the time of the Autumn Forecast (see Graph I.3.1). As a result, over the forecast horizon, the Euribor 3-months rates are expected to move on a somewhat lower trajectory than assumed in the AF24.

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



Notes: Expectations based on future contracts for 3 months Euribor.
Sources: S&P Global, LSEG, Bloomberg, ECB.

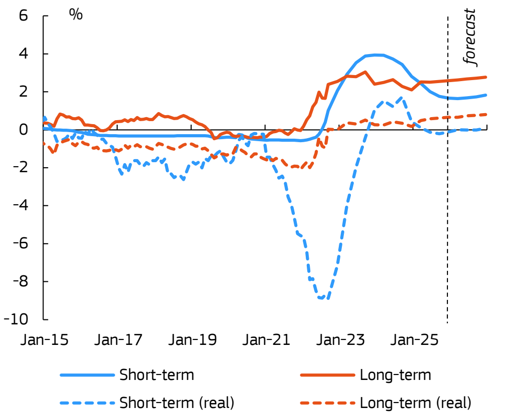
Graph I.3.2: **Yield curves in the euro area and the US**



Notes: * Euro area AAA-rated government securities.
Sources: ECB, US Department of Treasury.

Outside the euro area, EU central banks followed different paths, depending on their respective position in the monetary loosening cycle. The monetary authorities in Denmark, Sweden and Czechia continued decreasing rates broadly in parallel with the monetary policy conducted by the ECB. By contrast, central banks in Poland, Hungary, and Romania paused their rate cuts last autumn, as their economies still experience high inflation rates. By the end of 2026 though, Poland and Hungary are expected to have cut rates more forcefully than the ECB.

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

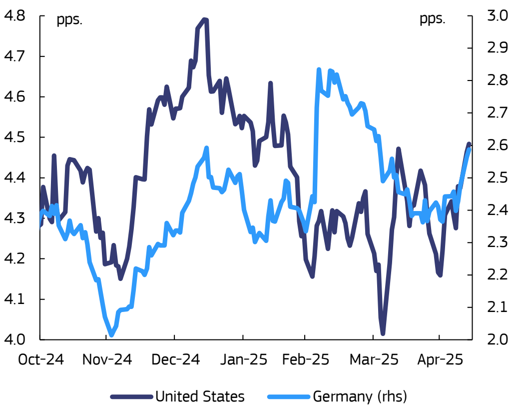


Notes: Short term rate: 3M Euribor; Long term rate: 10Y interest rate swap; Real rates are derived from the respective short or long-term rate minus annual HICP inflation and average future inflation inferred from 10Y inflation swaps, respectively. Short-term nominal forecasts (derived from forward short-term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

Following a bout of volatility, long-term real interest rates in the euro area are now above their levels in the autumn. The high volatility reflected investors' shifting views on US and EU growth prospects. Markets initially welcomed the outcome of the US elections, and expectations of a pro-business policy agenda pushed up long-term yields in both the US and the euro area. However, sentiment shifted by mid-January, with both Treasury and Bund yields falling amid weakening growth prospects. In early March, the announcement of a sizeable fiscal stimulus in Germany, with a focus on investment, drove the 10-year German government bond yield up by around 40 basis points, with other euro area sovereign bond yields following suit. A term-structure model-based decomposition of EU yields suggests that the increase was not related to changes in long-term credit risk, but rather to a rising term premium.[(3)] This reflected a combination of uncertainty about future short-term rates and economic growth prospects, expected demand-supply imbalances in bond markets driven by a surge in German debt issuance. Since mid-March, long-term interest rates have declined, as markets realised that the implementation of the stimulus package was likely to be gradual. Downward pressures were exacerbated by a flight to safety triggered by risks stemming from US trade policy. At the cut-off date of this forecast, market expectations for *real* 10-year yields were however markedly higher than assumed in autumn—by about 40 basis points—suggesting that some of the factors behind the March sudden rise in term premium persisted and point to a tightening of financial conditions relative to the autumn. In nominal terms, the Bund 10 years yield was close to the levels recorded at the time of the Autumn Forecast, due to declining inflation expectations. Still, the yield curve had steepened (see Graph I.3.2.), with yields for bonds with maturities above 10 years slightly above —by around 20 to 30 basis points – their level in autumn.

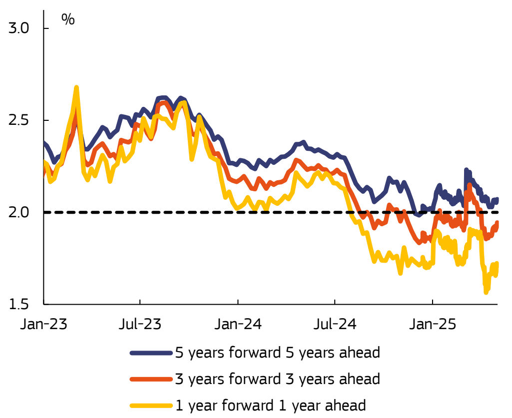
(3) Analysis based on the PRISM model applied to daily data for Germany, France and Italy. For model details, see Monteiro, D. P. (2025), "A PRISM decomposition of euro area interest rates", *Quarterly Report on the Euro Area,* 2025 vol. 1 (forthcoming).

Graph I.3.4: **Sovereign bond yields, US and Germany**



Source: S&P Global.

Graph I.3.5: **Market-based inflation expectations**



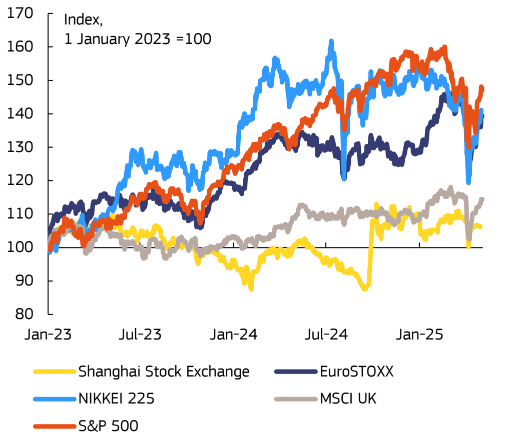
Notes: Based on forward inflation swap rates
Source: Bloomberg.

Amid increased volatility, market-based inflation expectations have come down to multi-year-lows. Market-based inflation expectations for the euro area on all horizons have been volatile in recent months, driven by inflation releases and various policy announcements. While markets initially viewed Germany's infrastructure and defence spending plan and the Commission's Readiness 2030 package (4 March) as lifting inflation, they eventually reassessed inflationary pressure on the expectation of a much more gradual fiscal impetus. The announcement of US tariffs on 2 April resulted in a further decline in inflation expectations to multi-year lows. These expectations rebounded partly following the partial suspension of tariffs over the course of April. The term structure of financial markets inflation expectations points to a decline in inflation from its current levels above 2% to around 1.7% between mid-2026 and mid-2027 and then to a progressive return towards the inflation target. The 5y5y inflation-linked swap (ILS) rate [4] stood at 2.1% in late April.

Compared to its level at the time of the AF24, at the cut-off date of the forecast the EUR was about 5% stronger against the US dollar and over 3% higher in nominal effective terms. The underperformance of US equities and the rise in US treasury yields was accompanied by a weakening of the US dollar – all symptoms of the pull out of capital from the US. As a result, the euro dollar exchange rate is now at levels last seen early 2022. The appreciation of the euro was however broad-based, with significant gains also against the Chinese Renminbi, the British pound, the Korean won, the Australian dollar, as well as a range of emerging market currencies. The euro weakened moderately relative to the Japanese yen and some currencies of non-euro area EU Member States. As from March, the euro was also supported by positive investor sentiment following the announcements of the incoming German government's fiscal plans.

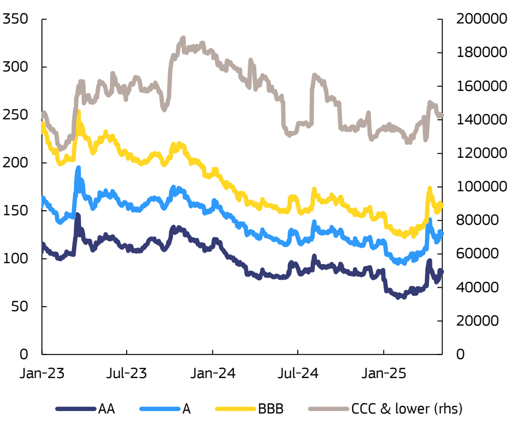
(4) The 5y5y inflation expectation stands for five-year inflation in five years' time and is calculated from inflation linked swaps. Note that market-based inflation expectations capture both 'true' inflation expectations, as well various risk premia

Graph I.3.6: **Equity markets**



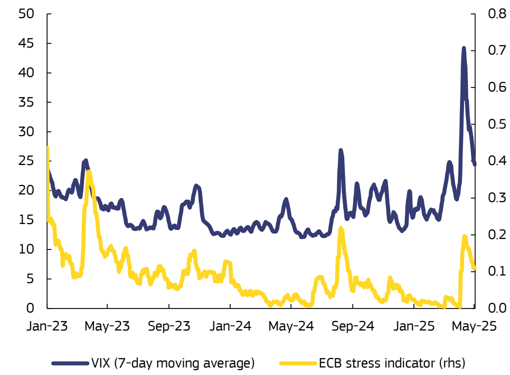
Source: S&P Global.

Graph I.3.7: **Corporate spreads over German 5-y sovereign bonds**



Source: S&P Global.

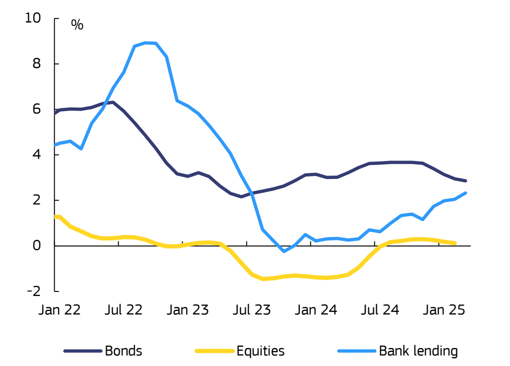
Graph I.3.8: **Financial stress indicators**



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

European equity and corporate bond markets strongly reacted to the successive US tariff announcements. Risk aversion among EU investors soared in the aftermath of the reciprocal tariff announcement of 2 April, as they assessed the potential negative consequences on trade, economic growth and corporate finances, particularly for firms most exposed to trade. Eurostoxx600 lost 13% amidst spiking volatility, while both EU sovereign and corporate spreads widened. Following the 9 April partial 90-days suspension of the initially announced tariffs (see Graph I.3.6 and I.3.7), investor risk appetite progressively resumed on expectations for reasonable trade agreements to be reached in the coming months. Similarly, hopes for a trade agreement between the US and China boosted further investor confidence. By the beginning of May, the losses on the Eurostoxx600 since 2 April had been erased while bond spreads narrowed back.

Graph I.3.9: **Corporate market funding**



Source: ECB.

Bank lending activity continues its modest recovery as lower policy interest rates pass through to the private sector. While financing costs for the euro area private sector have been trending down since the beginning of the year, they remain relatively high, standing above 3.50% at the beginning of this year for both households and non-financial corporations. Measures of real financing costs for non-financial corporations and households have remained in positive territory and above their long-term average. Growth in bank lending in the euro area has remained overall subdued, with 2.6% annual growth in March for loans to the private sector. Corporations continue to extend their external funding needs to the market, with growth of bond issuance in March slightly outpacing growth of bank lending. Despite anaemic credit flows to households, EU housing markets recovered last year with a rebound in house prices (see Box I.3.1).

The latest ECB bank lending survey for 2025-Q1 [5] points to further divergence between lending conditions to firms and for mortgages. Banks reported a small further net tightening of credit standards for loans to firms and consumer loans, driven by higher perceived risks. By contrast, credit standards eased moderately for housing loans, owing to higher competition. As regards loan demand, banks reported a renewed slight net decrease from firms after two quarters of weak recovery. The decrease was driven by a negative contribution from inventories and working capital. By contrast, net demand for housing loans continued to increase strongly, while consumer credit demand increased moderately, both supported mainly by declining interest rates. Looking forward to the second quarter of 2025, banks expect a net tightening of credit standards coupled with an increase in demand across all three loan segments. The ECB's Survey of Access to Finance of Enterprises (SAFE) for the first quarter of this year corroborates banks' views expressed in the ECB's bank lending survey: firms reported a further decrease in bank loan interest rates, while indicating a tightening of credit conditions. SAFE respondents confirmed the slight decrease in demand by firms as they reported a small reduction in the need for bank loans.

Overall, EU financial conditions appear tighter now compared with autumn. While expected policy rates have shifted downwards, long-term interest rates are now (at the cut-off date of the forecast) expected higher than in autumn, in both nominal and real terms. Moreover, bank lending conditions for corporates continued to tighten in the first quarter of this year and further tightening is expected in the second quarter, largely on account of lower tolerance to risk. The cautious approach from banks towards lending is mainly motivated by the perceived risks towards the macro-economic situation and is not related to metrics of asset quality, nor banks' financial situation, which keeps showing strong profitability, solvency and liquidity. Corporate bankruptcy stabilised over the last year amidst still very low levels of non-performing loans, suggesting solid asset quality on banks' balance sheets. Market-based indicators of risk such as equity prices or bond spreads have been very volatile in the context of heightened uncertainty linked to the US trade policies. This in turn is likely to lead to tightening financial conditions over the forecast horizon.

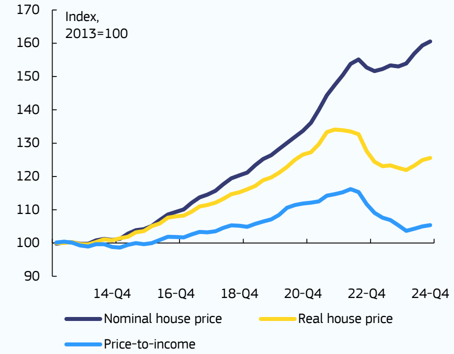
---

(5) Available at https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/ecb.blssurvey2025q1%7Edd155b616a.en.html

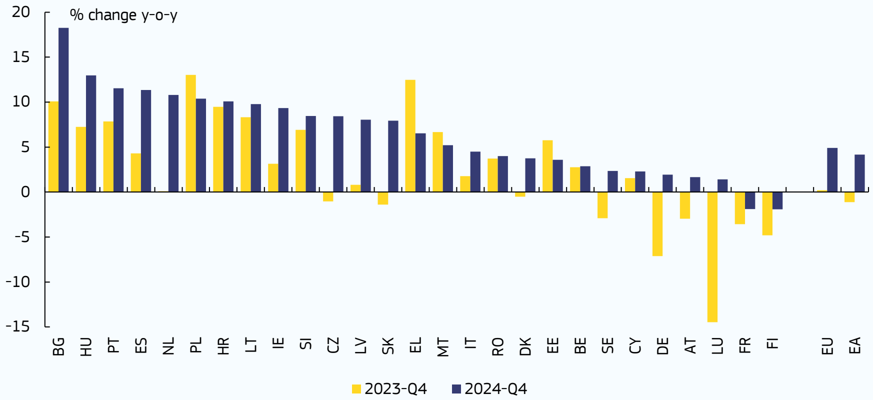
Box I.3.1: **Signals of a turnaround in the housing market**

After falling in the second and third quarter of 2023, housing prices started growing again in 2024. After rising steadily since 2013 and picking up in the aftermath of the pandemic crisis, nominal house prices in the EU experienced a mild decline in 2023. This decline was more pronounced in real terms – that is, when adjusting for inflation (using the private consumption deflator) and relative to household gross disposable income (see Graph 1). By end 2023, however, nominal house prices had broadly recovered their losses and increased more vigorously in 2024. The price recovery was accompanied by a recovery in transactions, to a level comparable to that recorded in the pre-pandemic years. By 2024-Q4, nominal house prices in the EU were 4.9% higher than a year earlier, surpassing the mid-2022 peak. In real terms, the price increase was more modest, but still 2.1% over the year. The magnitude of the increase varied considerably across Member States (see Graph 2). Bulgaria, Hungary, Portugal, Spain, the Netherlands, Poland, and Croatia recorded annual growth rates above 10% in 2024-Q4. At the other end of the spectrum, Sweden Germany, Austria, and Luxembourg — which experienced more significant contractions in 2023 — recorded more modest gains. France and Finland, in contrast, continued to see year-on-year declines.

Graph 1: **Housing prices and price-to-income ratio, EU**



Graph 2: **Nominal house price growth, 2023-Q4 and 2024-Q4**



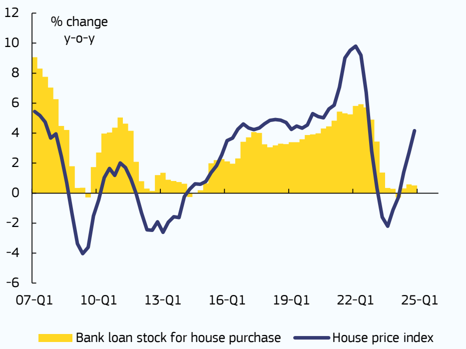
The fall in housing prices was largely driven by weakening borrowing capacity. Since most home purchases are financed through mortgage credit, households' borrowing capacity has historically been a key long-term driver of house demand and house prices. It is driven by household incomes, mortgage rates and other factors such as housing-related taxes and benefits. When the borrowing capacity weakens, prospective homebuyers may face larger required downpayments or simply be denied access to credit. They may also scale down or postpone the decision to buy a house. Households' borrowing capacity fell sharply in 2022 and 2023, as the increase in household incomes was not sufficient to offset the negative impact of surging interest rates (see Graph 4). This was reflected in a sharp contraction of mortgage credit flows and ultimately falling prices.

(Continued on the next page)

Box (continued)

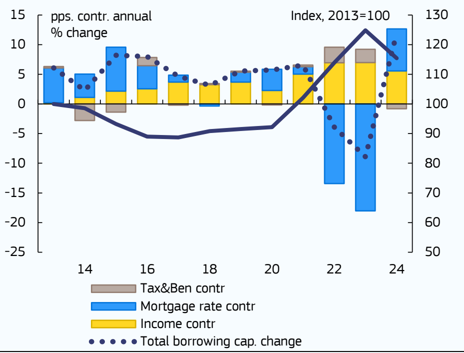
Home buyers have to cope with high house prices relative to their borrowing capacity. After the pandemic, the ratio between house prices and households' borrowing capacity – which can be considered an indicator of housing affordability that explicitly takes the cost of mortgage lending into account - increased sharply in the EU (dark blue line in Graph 4). Initially, this was due to the surge in house prices, but then also the decline in borrowing capacity, as interest rates rose. With interest rates falling, the borrowing capacity of households rebounded strongly in 2024, outpacing the recovery in housing prices. Still, the affordability index remains well above its long-term average. As shown in Graph 5, the increase in real house prices has outpaced households' borrowing capacity in most EU countries over the past five years, highlighting increasing difficulties for households to afford housing via mortgage credit.

Graph 3: **Mortgage flows and house price index, euro area**



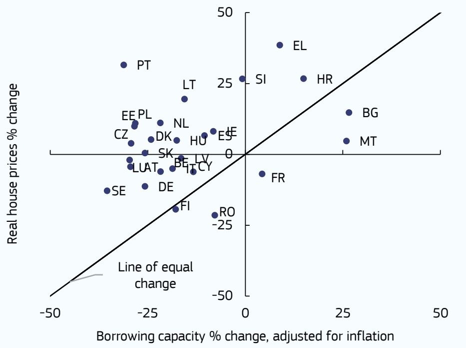
Source: ECB.

Graph 4: **House prices over borrowing capacity ratio, and contributions to borrowing capacity change, EU**



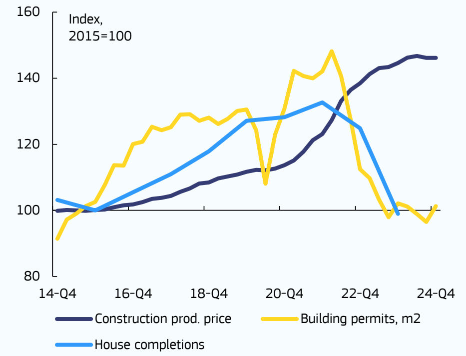
Source: ECB.

Graph 5: **Borrowing capacity vs real house prices, 2019 to 2024-Q4**



Source: ECB.

Graph 6: **House supply indicators, EU**



The sharp decline in housing supply since 2022 has contributed to the rebound in housing prices last year. Following the interest rate hikes in 2022, housing completions in the EU plummeted (see Graph 6). Similarly, building permits fell sharply in 2022 and have remained at very low levels since, suggesting that new housing supply will stay limited in the near future. This low supply can be attributed to high interest rates and elevated construction costs, but also structural constraints such as stringent environmental regulations and limited availability of buildable land. In many Member States, the constrained supply of new housing has become one of the main drivers of continued house price growth.

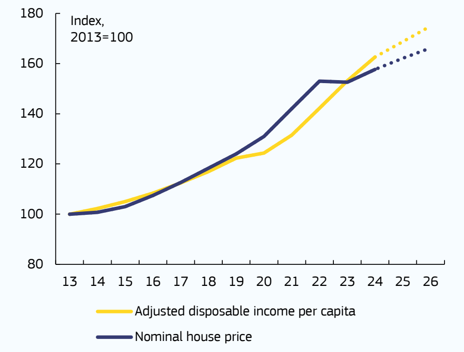
Going forward, further improvements in households' borrowing capacity are set to foster housing demand, amid increasing prices (see Graph 7). After an improvement in 2024, households' borrowing capacity in the EU is expected to improve further in 2025 and 2026, driven mainly by positive contributions from household incomes – as real wages are projected to increase by 1.6% this year and 1.1% in 2026. Rising house prices provide a positive signal to housing developers. Indeed, housing

(Continued on the next page)

Box (continued)

investment is set to start growing again this year. Still, the supply of new housing is set to respond with a lag to lower financing costs and higher prices.

Graph 7: **EU house price index and household income**



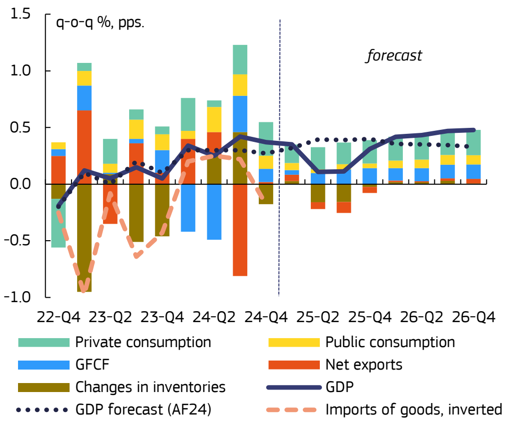
Further increase in house prices are set to lift confidence, but also to widen the gap between homeowners and renters. Real house prices and the price-to-income ratio are still below their 2022 peak. This may have contributed to dampening consumer sentiment by reducing the real value of household wealth for homeowners and, in turn, maintaining upward pressures on the saving rate, as households try to rebuild wealth buffers eroded by inflation. This effect is more pronounced in countries with higher homeownership rates and where housing wealth plays a larger role in household balance sheets. [1] A faster recovery in real estate prices therefore heralds a more dynamic consumption growth. At the same time, deteriorating affordability widens the gap between homeowners and non-homeowners, dampening the prospects of the latter to access property.

[1] See: What explains the high household saving rate in the euro area? And Why are euro area households still gloomy and what are the implications for private consumption?

4. ECONOMIC ACTIVITY

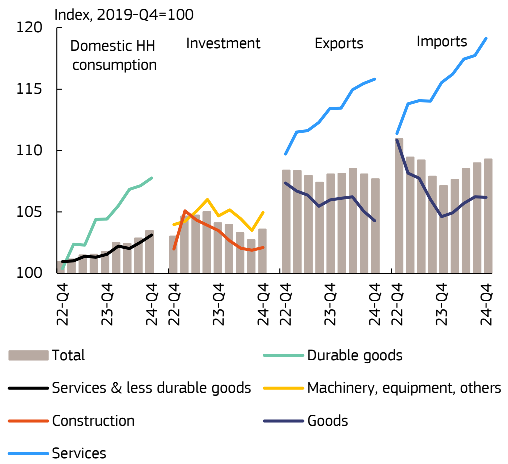
The EU economy ended 2024 on a solid footing and kept momentum in early 2025. In the fourth quarter of 2024, economic activity increased by 0.4% on the previous quarter in the EU and by 0.2% in the euro area. This, coupled with positive backward data revisions, pushed 2024 real GDP growth to 1% in the EU and 0.9% in the euro area - a notch above the Autumn Forecast. The positive momentum was kept in the first quarter of this year, with GDP expanding by 0.3% in the EU and 0.4% in the euro area in 2025-Q1 [(6)]. This, together with a stronger-than-expected carry-over from 2024, set acquired growth at 0.8% for the euro area and 0.9% for the EU – a modest yet solid starting point as the trade headwinds were about to intensify. According to fragmented information from national sources, growth was driven by higher household consumption, non-residential investment and exports of services. On the production side, industrial production increased by 1.5% on the quarter before, with notable increases in pharmaceuticals and other consumer goods, the automotive sector as well as intermediate products. A strong Q1 for Ireland (3.2% q-o-q) appears to have again been fuelled by the multinational-dominated sectors and likely reflects some frontloading of exports. Net of Ireland, acquired growth for the EU at the first quarter of 2025 stood at just 0.7% (0.5% for the euro area).

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



At 1% in the EU and 0.9% in the euro area, real GDP growth in 2024 was a notch above the autumn projections. Growth was strongest, well above 3%, in Malta, Croatia and Denmark, while economic activity in Austria (-1.2), Latvia (-0.4%) and Estonia (-0.3%) contracted. Among the largest Member States, real GDP growth ranged from -0.2% in Germany to 3.2% in Spain. Deviations from the AF24 were notable in several Member States, partly also because of data revisions. Ireland, Denmark and Sweden performed significantly better than expected, while Germany, Austria and Romania performed below projections.

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



Notes: (1) Domestic household consumption includes consumption spending by both residents and non-residents.
(2) IE excluded to limit volatility in investment, exports and imports.

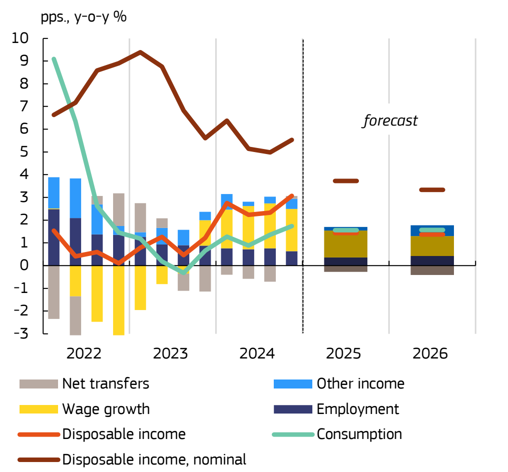
Public consumption grew at a brisk pace in 2024. The volume of government consumption increased by 2.7% in 2024 in both the EU and the euro area, contributing 0.6 pps. to real GDP growth (see Graph I.4.1). The expansion was broad-based across Member States and surprised

(6) Eurostat's preliminary flash estimate of GDP growth for the first quarter of 2025, based on data for 18 Member States, covering 94% of euro area GDP and 93% of EU GDP. On 15 May 2025 – after the cut-off date of this forecast -, Eurostat released new estimates (flash estimates) for GDP and employment in 2025-Q1, based on Member States' data covering 99% of the euro area and EU GDP. Seasonally adjusted GDP was reported to have increased by 0.3% in both the euro area and the EU (thus a notch lower than the previous estimate for the euro area). See https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/2-15052025-ap.

on the upside relative to the Autumn Forecast in most Member States. Employment growth in the government sector, e.g. in public administration, (adult) education and the care sector, underscores the volume increase in government consumption.

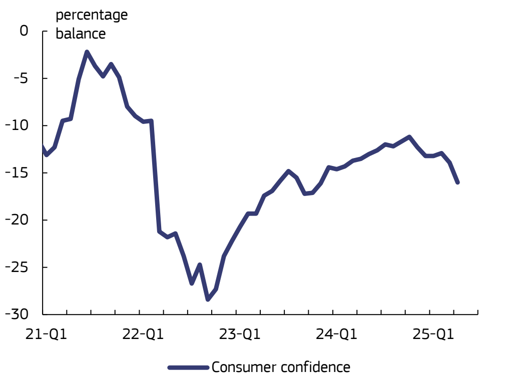
Private consumption expanded on the back of solid gains in real disposable income Expanding employment and strong wage increases amid easing inflation have been boosting real household incomes over recent quarters. In 2024, households' real disposable income increased by 2.6.%, despite a negative contribution from net transfers as the increase of taxes and contributions related to the improved labour incomes outpaced that of social transfers, (see Graph I.4.3), also reflecting the phasing out of pandemic and energy support measures. Remarkably – and in contrast with other economies - despite the large changes in mortgage and credit rates, net interest income (and the broader aggregate of other income) was barely affected (see Box I.4.2). Private consumption growth picked up speed in the course of 2024, reaching 0.6% q-o-q in 2024-Q4 and leaving the volume of consumption for 2024 1.3% above the level of 2023 (see Graph I.4.2). This is 0.2 pps. better than the Autumn Forecast. Consumption growth surprised on the upside in most of the large economies, with Germany being a notable exception.

Graph I.4.3: **Sources and use of real disposable income of households**



Still, weak confidence, the legacy of high inflation and high interest rates kept savings elevated. Households kept saving a high share of their income, for a variety of reasons. Precautionary savings were fuelled by elevated uncertainty, and the persistent effect of the recent high inflation spell on consumers' spending attitudes. At the same time, high, if declining, interest rates continued to support the financial returns from savings, especially for the higher income groups. In 2024-Q3, the saving rate of households came down for the first time since mid-2022, from 14.7% to 14.4%, but settled at 14.5% in 2024-Q4, remaining above its pre-pandemic average.

Graph I.4.4: **Consumer confidence, EU**

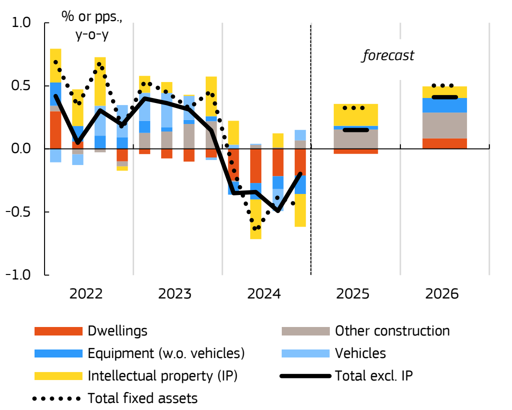


Investment, in contrast, contracted sharply, though the EU aggregate masks important heterogeneity. Its level in 2024 declined by 1.9% in the EU relative to 2023 (0.2 pps. more than projected) and by 1.8% in the euro area (as expected), with declines reported for 18 Member States. In addition to Ireland (-25%), where dynamics are volatile due to activities of multinationals, contractions were particularly deep in Hungary (-11%), Latvia and Estonia (-7% each), while investment expanded in i.a. Spain, Greece, Portugal, Italy, Belgium, Denmark, Croatia. Excluding Ireland, the decline was milder, but still significant, at -1.1% in the EU and -1% in the euro area.

Housing investment kept contracting throughout the year. Investment in *housing* decreased by 4.2% in the EU and by 4% in the euro area, 0.6 and 0.7 pps., respectively, lower than projected. Twenty Member States reported a decline. Save for a short-lived uptick in early 2023, residential construction has been downsizing virtually for two and half years. Still, a rebound in real estate prices and a pick-up in lending for mortgage loans suggests the nearing of a turning point (see Box I.3.1).

Investment in equipment was held back by weak demand, elevated uncertainty and still tight financing conditions. Although corporate balance sheets have remained solid, with leverage ratios near historical lows, profitability has been dented in 2024 by weak demand as well as rising labour and high funding costs. Moreover, cyclical pressures from the global manufacturing downturn, less competitive energy prices, and uncertainty over global trade policies remained a drag on equipment investment – particularly in manufacturing. As a result, equipment investment declined by 2.2% in the EU (as expected) and by 2.6% in the euro area, 0.3 pps. more than expected (see Graph I.4.5). The decline was concentrated in Germany and France (though by less than expected) as well as Italy and Hungary (where the decline was stronger). Excluding vehicles, equipment investment declined by even more, 2.7% in the EU and the euro area. Investment in transport equipment moved sideways across quarters in 2024, as the bumper growth of 2023 (averaging more than 10%) was no longer sustained in e.g. Germany, France, Italy, Austria.

Graph I.4.5: **Investment contribution to GDP growth, EU**



Notes: Equipment includes vehicles in forecast.

Investment in intellectual property was remarkably buoyant. The decline in *other investment* (chiefly intellectual property products) was 1.5% in the EU and 1.8% in the euro area. Excluding Ireland, where the decline was 47%, again reflecting transactions by multinationals, this category of investment increased by 2.6% in the EU and 3% in the euro area. Most growth came from, but was not limited to, Germany and France, possibly reflecting the digitalisation in corporate and public sector but also the response to broader transformation needs of EU firms.

Investment in *non-residential construction* proved resilient, propped up by buoyant public investment. Its expansion was slightly less than projected in the EU (0.7%, 0.1 pps. weaker) but surprised on the upside in the euro area (1.7%, 0.7 pps. stronger). Most of the growth came from activity in Italy, Spain, France and Sweden, while Germany posted a small decline. Investment in non-residential construction, also supported by the Recovery and Resilience facility, rebounded in 2024-Q2 and even strengthened in 2024-Q4.

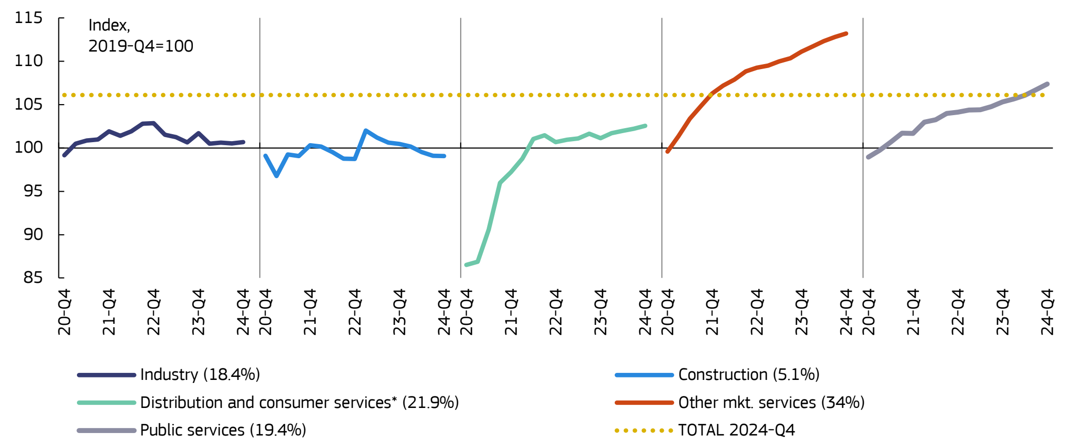
Imports rebounded while exports weakened in the course of 2024. Net exports had an overall positive, but smaller than projected, contribution to GDP growth in 2024. Adjusting for the volatility of external trade in Ireland [7], exports overall stagnated in 2024 (0.3% EU, -0.1% euro area), dragged down by goods (-0.5% EU, -1% euro area). Excluding Ireland, imports also stagnated for the year as a whole (0.2% EU, -0.2% euro area). Thus, the contribution of net exports was broadly neutral for the aggregates excluding Ireland. In contrast to goods, service exports increased (3.1% in the EU, 3.3% in the euro area) but the increase was neutralised by service imports (3.6% EU, 3.4% euro area). Data on trade in goods suggests weakness in exports across all broad categories.

Turning to the production side, 2024 was marked by continued weakness in manufacturing and construction. Value added in industry has stagnated since mid-2023. Production by the intermediate goods sectors (which are mostly energy intensive) contracted throughout the year, with the burden of high production costs compounded by weak demand from the construction sector and the machine-building industries. Less energy-intensive industries have

[7] The accounting impact on GDP growth from the movements in intellectual property products in Ireland was mirrored by movements in exports/ imports.

also suffered under weak demand. Machine building in general, including the automotive industry, has seen output decline throughout 2023 and 2024, reflecting cyclical and structural issues (see Graph I.4.7). The Commission's surveys for the manufacturing sector show that managers' assessment of their firm's competitive position on international markets, particularly outside the EU, failed to recover from the major deterioration in the wake of the energy crisis, and in April it was still very close to its all-time low reached in October 2024. This trend is particularly relevant in Germany, but lately it has spread to other Member States. Manufacturing of other transport equipment (non-automotive) has been steadily recovering from a deep slump following the COVID-19 pandemic. It regained the pre-pandemic level of output in late 2023. The expansion was progressing throughout 2024 but has stalled in early 2025 (see Graph I.4.7). 2025-Q1 saw a mild rebound in the automotive sector. It is too early to judge whether this is a durable turnaround, as new car registrations have not moved up relative to late 2024, and the uptick could have been an attempt to front-load deliveries ahead of increased US tariffs. The sector of non-durable consumer goods appears more sheltered from the still bearish sentiment characterising most other manufacturing sectors and has enjoyed a massive rebound. This trend is driven by the pharmaceutical industry, which is running at historically high volumes (notably in Ireland) close to double the level of 2019 and keeping manufacturing from an outright decline. In construction, though certain activities benefitted from the buoyant investment in non-residential construction (see Graph I.4.7, right panel), the still declining housing investment continues to weigh on overall value added in the sector (see Graph I.4.6).

Graph I.4.6: **Gross value added in the EU across sectors**



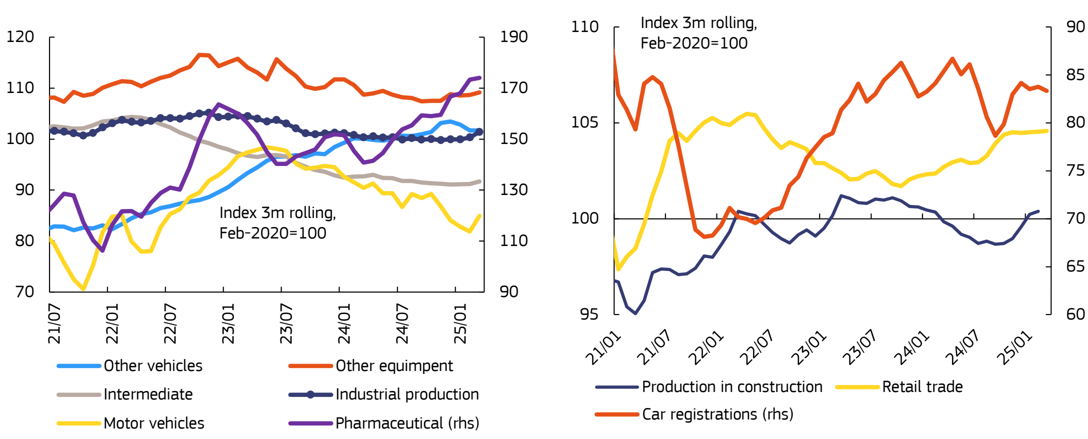
Notes: % of GVA in latest four quarters in brackets.
*Wholesale and retail; transport; accommodation, food services; arts, entertainment, recreation.

The service sector was the only driver of growth. Activity in business services remained buoyant in 2024 (see Graph I.4.6). Together with a rebound in distribution services - trade, transport - and consumer services - hospitality, recreation and entertainment, this made up for the weakness in industry. Readings of the services PMI and the European Commission's services survey were in expansionary territory throughout 2024.

Looking forward, consumption is projected to stay the key growth driver but remains constrained by a still elevated saving rate. Continued gains in employment and wages and decelerating inflation should support a further increase in household gross disposable income. However, the relapse in consumer confidence in March – and more markedly in April, to an 18-month low – suggests that households are also affected by the current trade tensions and policy uncertainty, primarily due to fears of a worsening general economic outlook (see Graph I.4.4). Rather than job security, households appear primarily concerned with the high cost of living (see Special Issue 2). This concern likely reflects the legacy of the recent inflationary experience, which significantly eroded the purchasing power of consumers (in late 2024, real wages were only at their level of 2021-Q3) and left prices for essential goods and services significantly higher.

Moreover, while conditions for continued easing in inflation exist, consumers' expectations of price increases have surged since October 2024. In this context, consumption may continue to be held back by precautionary saving motives, as well as efforts to rebuild wealth buffers following the erosion of financial wealth by inflation and the still incomplete recovery in real estate valuations (see Box I.3.1). The saving rate is thus projected to decline more gradually than previously expected, from 14.8% in 2024 to 14.2% in 2026. Real private consumption is therefore forecast to grow by 1.5% this year, with further strengthening expected in 2026.

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



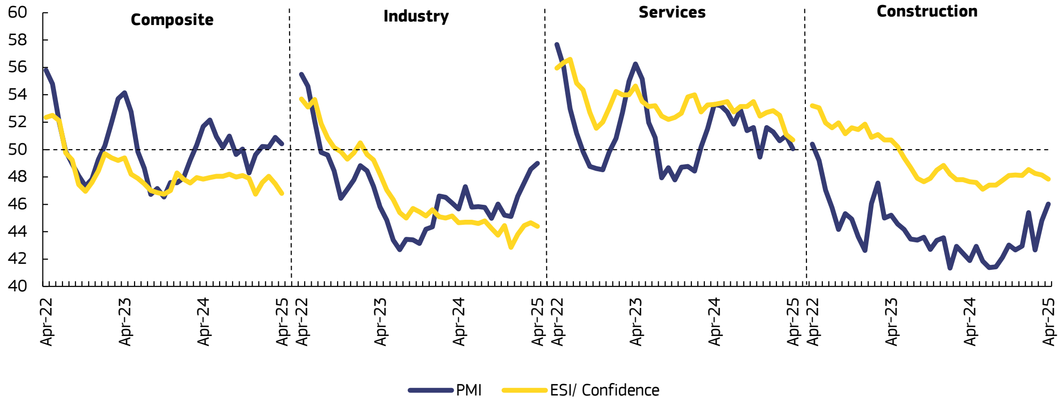
Notes: All data are seasonally and calendar adjusted.
Sources: ACEA; European Commission.

Elevated uncertainty continues to exert a drag on investment growth. Following the contraction of 1.9% in 2024, gross fixed capital formation is expected to expand over the forecast horizon. At 1.5% in 2025 and 2.4% in 2026, the rebound and subsequent acceleration is now expected to be considerably more muted than projected in autumn. Lower export growth is set to depress capacity utilisation in manufacturing, defeating a timid recent uptick, and lowering investment needs. Moreover, uncertainty increases the option value of postponing investment and reduces confidence among firms. Finally, financing conditions, are set to be tighter than assumed in autumn (see Section 3). Equipment investment is projected to bear the brunt of this adverse environment, barely expanding this year and achieving only a modest acceleration in 2026. Residential construction is set to bottom out in 2025, and the stage seems set for an expansion in 2026 as credit conditions for households do appear slightly more favourable than for corporates. Infrastructure investment on the one hand and intellectual property products (R&D and ICT) on the other hand, are the two categories set to expand more vigorously – partly supported by RRF and the deep digital transformation needs of businesses.

Lower external demand for EU goods detracts from EU economic growth. Exports by the EU are expected to grow by a meagre 0.7% this year and 2.1% in 2026. This is a sizable downward revision from autumn (2.2% and 3.0% respectively), largely driven by lower global demand for goods and price competitiveness losses on the US market. The appreciation of the euro and other EU currencies vis-a-vis the dollar and other currencies is set to amplify these effects. At the same time, the EU is expected to gain market shares in the US from other trading partners facing higher tariffs. Export growth is also constrained by the elevated trade uncertainty. While there is evidence that EU firms do adjust their trade strategies in response to geopolitical tensions and trade fragmentation (see Special Issue 2), in an uncertain trade environment many of them may hesitate to bear the costs associated with product adaptation, regulatory compliance and the search for new distribution networks, necessary to redirect exports to alternative markets. Growth in imports of goods and services has also been revised downward in line with lower export growth and weaker domestic demand, even if increasing price competitiveness pressures from the partial re-routing of the US-Chinese trade and the appreciation of the euro provide some support to imports.

As a result of these developments, in 2025, net external demand is set to detract almost 0.5% from growth, but the drag is set to fade out in 2026.

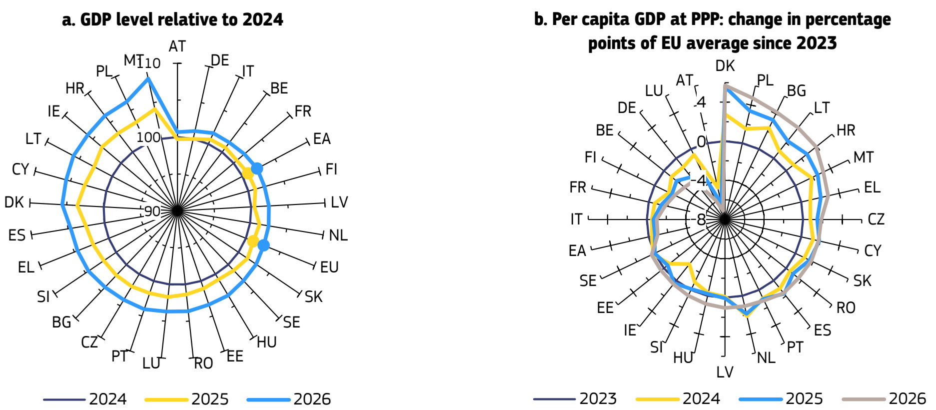
Graph I.4.8: **ESI/Confidence and PMI, euro area**



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

Overall, real GDP growth is seen to maintain the pace observed in 2024 and pick up in 2026. Real GDP growth in 2025 is projected at 1.1% in the EU and 0.9% in the euro area – broadly the same growth attained in 2024. This is a substantial downgrade with respect to the autumn projections, which largely reflects the impact of higher tariffs and elevated uncertainty ushered in by the trade protectionist turn of the new US administration. Growth in the EU is nonetheless expected to pick up to 1.5% in 2026, as consumption keeps expanding and investment accelerates after rebounding in 2025. Growth in the euro area is set to attain 1.4% in 2026.

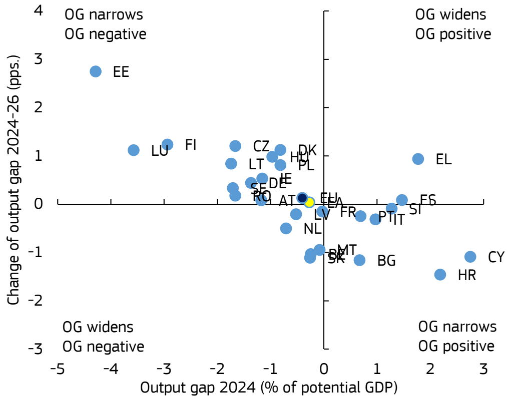
Graph I.4.9: **Growth dispersion and convergence**



Importantly, most Member States are expected to return to growth in 2025. Only Austria (-0.3%) is projected to contract and Germany to stagnate. France and Italy are expected to grow just below average, while Spain and Poland are projected to grow robustly. Malta, Croatia and Denmark are the countries with the strongest growth projections for the current year. In 2026, all Member States are expected to grow by close to 1% or more, with growth being weakest in Belgium and Italy (0.9%). France and Germany are projected to grow below average, while Poland (3%) and Malta (4%) are set to grow the strongest. With economic expansion in the southern and central EU still outpacing growth in north and western Europe, economic convergence in the EU is expected to progress further (see Graph I.4.9).

Growth is estimated to stay below potential in 2024 and 2025, but outpace it in 2026. The output gap has widened in 2024 to -0.4% of potential output in the EU (-0.3% in the euro area). It is estimated to widen to -0.6% (-0.5%) in 2025 and narrow to -0.3% in 2026 (0.2% in the euro area). Thirteen Member States are estimated to have negative but narrowing output gaps between 2024-26. Eight Member States are estimated to have positive output gaps throughout the forecast horizon (See Graph I.4.10). Based on the projected evolution of demographics, employment and investment, potential growth is set to slow down in the EU from 1.4% in 2024 to 1.2% in 2026 (in the euro area, from 1.2% to 1.1%). This trend is similar across most Member States.

Graph I.4.10: **Output gaps across Member States**



Box I.4.1: **The potential economic impact of the reform of Germany's fiscal framework**

In March 2025, Germany adopted a constitutional reform of its national fiscal framework, with three major novelties. First, a new infrastructure fund, worth EUR 500 billion (11.6% of 2024 GDP), was set up outside the scope of the 'debt brake' [1]. The fund is intended to finance new projects in the fields of transport, healthcare, energy, education, research and digitalisation. Projects financed by the fund can be approved within 12 years. Second, defence spending above 1% of GDP is excluded from the calculation of the 'debt brake'. Third, the Länder are allowed to take up new net borrowing of up to 0.35% of GDP annually, as was the case at the federal level. This eases the previous requirement of the Länder to run balanced budgets.

The aim of the new infrastructure fund is to address Germany's large investment needs, and as such it has the potential to significantly boost economic growth over the next decade. At the cut-off date of this forecast, plans for increased spending from the infrastructure fund and for defence based on the adopted reform were not deemed sufficiently detailed to be included in the baseline projections. In particular, they had not yet been formalised in a supplementary budget. The baseline forecast presented in this publication is therefore complemented by stylised model simulations, based on the QUEST model, to assess the potential economic impact of the reform.

Assuming that the infrastructure fund is fully debt-financed and allocated to productive projects, and factoring in a linear spending profile starting in the second half of 2025, the model simulations show that compared to the baseline, Germany's GDP would be around 1¼% higher by the end of this legislative term (2029) and 2½% higher by 2035 thanks to the fund's investments. This reflects a long-lasting expansion of economic activity driven by an increase in capital stock and productivity. The impact on public debt would be relatively contained, provided the investment yields high productivity gains and boosts growth, with public spending rising below GDP growth. [2] The debt-to-GDP ratio would be around ½ percentage point higher in 2029, rising to 3¼ percentage points above baseline in 2035. [3] The increase in investment would also have positive economic spillovers to other EU Member States: EU GDP would be lifted by ¾% in 2035, with around one-third of this impact due to spillovers.

The growth benefits of focusing on productive investments can be further illustrated by comparing the above results with an alternative scenario, in which half of the additional spending from the fund would finance (unproductive) public consumption. In this case, the impact on German GDP would be significantly smaller, amounting to ¾% of GDP in 2029 and 1¼% of GDP in 2035. This more muted impact reflects a smaller increase in overall production capacity, with knock-on effects on private demand. The debt-to-GDP ratio would be around 1½ percentage points higher in 2029 and 5½ percentage points higher in 2035 than in the baseline.

As long as the emphasis on productive use is maintained, a speedy fruition of the fund would yield the most economic gains. This however requires addressing other investment bottlenecks than just financing, such as those related to labour supply, the efficiency of planning and permitting procedures, institutional complexity and administrative capacity.

As to the new possibility for the Länder to increase their deficit and for Germany to increase defence spending outside the scope of the debt brake, their impact on economic growth may be smaller, as there is no requirement to spend these two new sources of fiscal space on productive investment.

---

(1) The 'debt brake' is a German fiscal rule embedded in the federal constitution (Basic Law for the Federal Republic of Germany). Before the reform, it limited annual net new borrowing of the federal level to 0.35% of GDP.

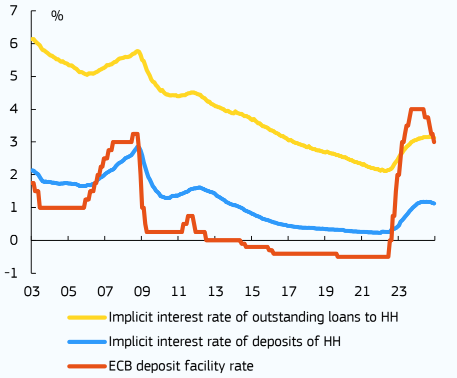
(2) To isolate the effects of the increased investment, we assume that debt is stabilised only in the long run. No discretionary fiscal adjustments are introduced within the horizon of reported results.

(3) The simulation results are based on highly stylised and simplified assumptions. Their interpretation comes with important caveats, particularly regarding the uncertain productivity of government investment, the assumed absence of spending and implementation delays, and the response of other public spending. For additional analysis on these factors and alternative assumptions in the QUEST model, see Motyovszki G., Pfeiffer, P., & in 't Veld, J. (2024), "The Implications of Public Investment for Debt Sustainability", European Economy Discussion Paper 204.

Box I.4.2: **The impact of interest rate changes on euro area households' net interest income**

This Box analyses the impact of interest rate changes on the net interest income of households in the euro area. Between July 2022 and September 2023, the ECB deposit facility rate increased from 0.50% to 4% (see Graph 1). Compared to previous tightening phases in the euro area, the strength and speed of the monetary policy tightening was unprecedented. The ECB started lowering its policy rate again in June 2024, and by April 2025 it stood at 2.25%. Changes in the main policy interest rate directly affect households' disposable incomes via interest payments and receipts on interest-bearing instruments (see Graph 1). The analysis in this Box examines the dynamics of net interest income for the euro area household sector on aggregate and by income groups. In a context of a high cost of living, the rise in interest rates sparked concerns about the resilience of households, in particular low-income households with outstanding mortgages at flexible interest rates. In fact, household disposable income appears to have hardly been affected by the surge and subsequent fall of interest rates.

Graph 1: **ECB policy rate and interest rates for households**

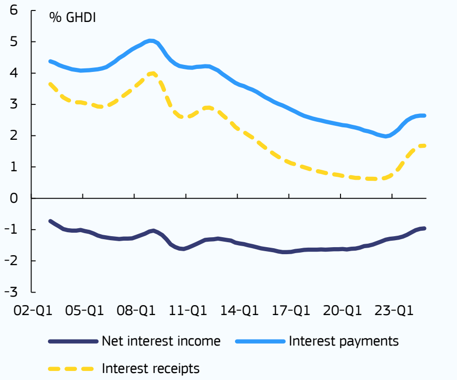


Source: ECB.

Households' net interest income tends to be negative. Net interest income is the difference between the interest payments households receive on their fixed income financial assets (mostly deposits and bonds), and the interest payments they make on their liabilities, mostly mortgage loans. Households in the euro area on aggregate have a positive net financial asset position, including with regard to interest-bearing instruments. [1] However, as the interest rates paid on loans exceed those earned on deposits, households' net interest income tends to be marginally negative (see Graph 2). In 2024, it stood at around -1% of gross household disposable income (GHDI).

Following a decline and subsequent stability in the period leading to and following the global financial crisis, household net interest income turned less negative over 2020-2024. Net interest income (as a % of GHDI) declined in the aftermath of the financial crisis and broadly stabilised thereafter, in an environment of low inflation, low interest rates and gradual household deleveraging. In 2020, net interest income in the euro area turned less negative, as interest receipts bottomed out while interest payments continued to decline. This coincided with a strong increase in households' savings (due to forced as well as precautionary saving) in the wake of the pandemic. As of 2022, net interest income grew by slightly more than 0.5 pps. of GDHI over 2020-2024 in the euro area, benefitting from the increase in interest rates.

Graph 2: **Net interest income, household sector, euro area**



Notes: Data reflect smoothed quarterly data.

(1) Interest-bearing instruments considered in this note are deposits and bonds on the assets side, and loans on the liabilities side. They exclude other financial assets (such as equity, pension and insurance savings) and non-financial assets (such as real estate). Households' financial assets in the euro area are mostly composed of deposits, shares, and insurance/pension guarantees, each making up about one third of all their financial assets in recent years. Over the 2010s, households saw a strong increase in their net financial asset positions, mostly on account of equity and investment fund shares.

(Continued on the next page)

Box (continued)

Despite the sharp monetary policy tightening in 2022-23, debt servicing costs and income from savings grew only moderately. In 2022, over half of households' deposits in the euro area were held as overnight deposits [2], which carry relatively low interest rates and are not very responsive to changes in policy rates [3]. The remaining share of deposits were either redeemable at notice or time deposits with a pre-agreed maturity. The high share of overnight deposits in total deposits, and inertia in portfolio shifts, possibly due to heightened uncertainty, resulted in a limited increase in the overall deposit interest rate, which peaked at just below 1.2% in mid-2024. On the liabilities side, the sensitivity of rates on outstanding loans to policy rate changes. ECB data suggest that in 2010, around 40% of the stock of loans to households was due to have an interest rate reset within the next 12 months; by 2024, this proportion had halved. The strong decline in credit flows also contributed to the inertia of the implicit interest rate on the outstanding loan stock.

At the same time, households' net position on interest-bearing instruments improved. Households' interest-bearing financial assets contracted from 131% to 124% of GHDI over 2022-24 as a result of high inflation (denominator impact), even if household saving rates remained above their long-term averages. The reduction of the asset stock restrained the impact of higher policy rates on interest receipts. In turn, the stock of loans also declined over 2022-24 from 92% to 83% of GHDI, due to subsiding credit flows (active deleveraging) and high nominal GHDI growth (passive deleveraging). The declining stock of loans cushioned the impact of monetary policy tightening on interest payments and reinforced the improvement in net interest receipts.

The net position on interest-bearing financial instruments varies across income groups. [4] Data from the 2020-21 wave of the Household Finance and Consumption Survey (HFCS) [5] suggest that most households in the euro area have net positive asset positions when considering both financial and non-financial assets (e.g. real estate). When looking only at interest-bearing instruments, about two-thirds of households still have a positive net position. Almost all households have some savings, but only around 40% of them have outstanding debt, and only 27% have mortgage debt. [6] Negative positions on interest-bearing instruments are observed mostly among higher earning households (i.e; households in the two highest income quintiles), who tend to have more debt, especially mortgage debt (see Graph 3a), and less deposits (as % GHDI) as they shift a larger proportion of their wealth into higher-yielding non-interest-bearing financial assets (such as equity and insurance and pension savings) and non-financial assets (not shown in Graph 3). Although interest-bearing assets and liabilities represent a fairly similar share of income across quintiles (see Graph 3a), nominal amounts vary widely (see Graph 3b) — resulting in top earners receiving and paying much more interest overall.

(2) The Commission's recent communication on a "Savings and Investments Union" aims to mobilize households' savings and encourage households to shift to financial assets with a higher return. See COM (2025) 124 final.

(3) See Box 4 in ECB Financial Stability Review, May 2023 and Chapter 3, p. 54 in ECB Financial Stability Review, May 2024 on the lower responsiveness of overnight deposit interest rates to policy rate changes.

(4) For a broader discussion on the impact of high inflation on different groups of households, see Chafwehe, B., Ricci, M., Salto, M. and Stoehlker, D. (2025) The distributional impact of high inflation and the related policy response, Quarterly Report on the Euro Area, 23, 2025, ECFIN, European Commission, https://data.europa.eu/doi/10.2765/196965, JRC140748.

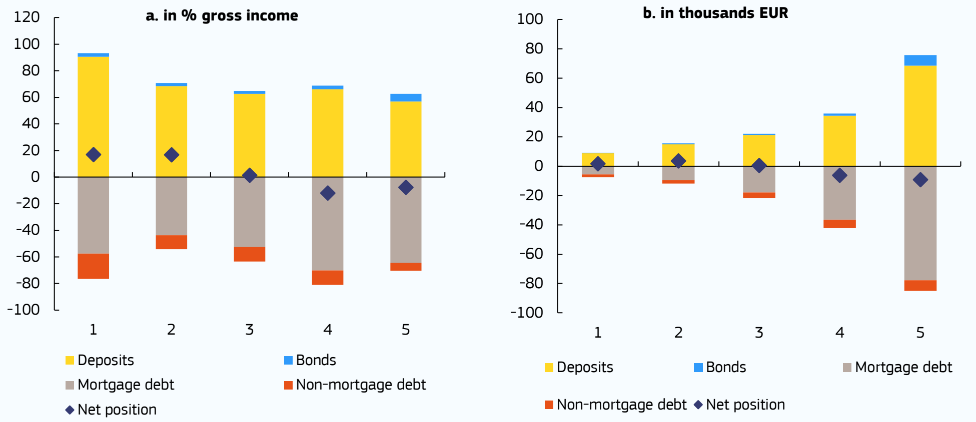
(5) The Household Finance and Consumption Survey by the ECB collects household-level data on household finances and consumption. The data used in this analysis are from the fourth wave of the survey, carried out between the first half of 2020 and the first half of 2022.

(6) Because mortgage loans are typically much larger than non-mortgage loans, the volume of outstanding non-mortgage loans is only a fraction (around 10% according to MFI data) of all outstanding loans.

(Continued on the next page)

Box (continued)

Graph 3: **Households' net position on interest-bearing instruments, average by income quintile 2021, euro area**



Notes: Income quintile 1 (5) presents the households at the bottom (top) of the income distribution.
Sources: Own calculations based on the most recent HFCS data (2020-21 round). Income quintile 1 (5) presents the households at the bottom (top) of the income distribution.

Interest rate increases likely had a negative impact on households in the two upper income quintiles. Assuming that the distribution of deposits and loans across quintiles is unchanged from the one suggested by the 2020-21 HFCS data, and that interest rates on interest-bearing instruments have evolved in a similar manner across quintiles, households in the two highest income quintiles are likely to have been the most negatively affected by interest rate increases. These results should be interpreted with caution, as they rest on strong assumptions. In reality, savings and lending dynamics in the face of economic shocks diverge between income groups. [7] Research suggests that richer households are more likely to move their savings into higher-yielding deposit types (e.g. time rather than overnight deposits); and HFCS data suggest that the share of flexible rate mortgages decreases with income, [8] which increases exposure to interest rate shocks for low-income households. They also suggest that, conditional on having debt, low-income households have higher debt service burdens as a share of their income. In addition, they tend to own less other (non-interest bearing) assets, which could otherwise act as a buffer in the face of income shocks. At the same time, HFCS data suggest that households with mortgage debt at flexible rates and a debt service burden above 40% of their gross income make up less than 1% of euro area households overall, and less than 2% in the bottom income quintile. The next round of HFCS will allow better insights into dynamics across income groups.

(7) For instance, various studies have suggested that high-income households were more likely than low-income households to see an increase in savings during the COVID-19 pandemic. See e.g. Friz, R., Morice, F. (2021) Will consumers save the EU recovery? Insights from the Commission's consumer survey. SUERF Policy Note 237, 20 May 2021; Mathä, T.Y., Montes-Viñas, A., Pulina, G., Ziegelmeyer, M. (2023) COVID-19 effects on income, consumption and savings: evidence from the Luxembourg Household Finance and Consumption Survey. Bulletin BCL 2023/2: 50-59. The Commission's 2025 Alert Mechanism Report also suggests that saving rates and credit growth have shown heterogeneous patterns across euro area countries over recent years, with the euro area saving rate remaining above its long-term average on aggregate, while countries with already lower saving rates before the pandemic saw a further reduction in saving rates in the face of high inflation.

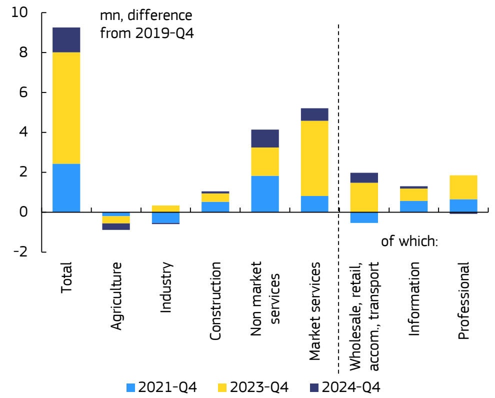
(8) The analysis considers the euro area-wide income distribution. Between country differences (e.g. in the use of flexible rate mortgages) are likely to have a stronger impact on the results than within country differences. Within countries, the presented variables may vary differently across income quintiles.

5. LABOUR MARKET

The EU economy added 1.73 million jobs in 2024. According to national accounts, headcount employment in the EU continued to increase last year, though at a more moderate pace than in previous years. The annual growth rate in employment stood at 0.8% in the EU compared with 1.2% in 2023 and 2.2% in 2022. In the euro area, employment growth was slightly more dynamic over the past three years, with 1.0% growth last year after 1.4% in 2023 and 2.4% in 2022.

Employment growth was strong in services. According to national accounts data, the services sector created jobs for around 1.8 million workers in 2024. 940 000 of these were in the private sector, mostly in wholesale, retail, accommodation, and transport, but also IT. The public sector also contributed significantly, with jobs for 874 000 new employed persons created in non-market services. 132 000 workers joined the construction sector while the industry lagged behind with only 71 000 new workers. The agriculture sector continued to lose workers last year, by as many as 290 000 jobholders. Looking at the longer time period since the pandemic crisis, the private services sector emerges as the most dynamic in terms of job creation. Jobs were added in all type of services and particularly in contact-intensive services such as wholesale, retail, accommodation and transport. Nonmarket services come second in terms of contribution to total employment growth, while industry has shed jobs, as the losses in the aftermath of the pandemic have not been recouped over the past two years. Employment in agriculture shrank steadily (see Graph I.5.1).

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



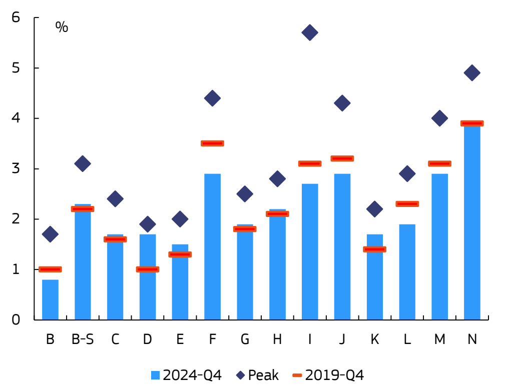
The labour force expanded slightly less than employment – also driven by rising activity rates. According to the Labour Force Survey, the growth rate of the population in working age (aged 15-74) keeps tapering off. In 2024 it expanded by just 0.3% - or roughly 1.1 million people. The labour force however increased by 0.8% - or roughly 1.7 million people. A significant share of the expansion in the labour force therefore was driven by people entering the labour market. The activity rate thus increased from 65.5% in 2023 to 65.8% in 2024. The employment rate of people aged 20-64 increased further last year to reach the new record high of 75.8% in the last quarter of 2024 after 75.5% at the end of 2023. Across age groups, it continued to increase for both prime age workers (aged 25-54) and older workers (aged 55-64) but declined slightly for young workers (aged 15-24). It increased for both men (80.8%) and women (70.9%).

As a result, the unemployment rate hit new record lows, amidst narrowing dispersion across countries. The unemployment rate edged down from 6.1% in 2023 to 5.9% in 2024 and fell further in the first quarter of this year, hitting a new record low level of 5.8% in the EU (6.2% in the euro area). Cross country differences remain large but are narrowing as unemployment rates are declining more in countries with high unemployment rates such as Spain or Greece. Eurostat's broader measure of labour market slack, which includes other groups with an unmet need for employment besides the unemployed, continued to decline, hitting a new low in the fourth quarter of last year (10.8% of the extended labour force aged 20-64 in the EU) [8].

[8] This indicator measures unmet demand for work and consists of the unemployed, underemployed part-time workers, and those available for work but not seeking work, as well as of those actively seeking work but not available to take up work.

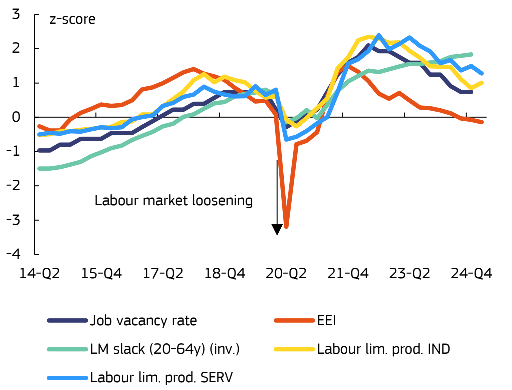
The severe labour shortages experienced during the post-pandemic rebound are further easing. The job vacancy rate continued to decline throughout last year. In the fourth quarter of 2024, it stood at 2.3% in the EU (2.5% in the euro area), down from 2.6% at the end of 2023 (2.9% in the euro area). Sectors such as administrative and support services (NACE sector N), construction (F), IT (J) and accommodation and food services (I) continue to display the highest vacancy rates but are all at or below pre-covid levels (see Graph I.5.2). The Commission business surveys also suggest a loosening labour market. Data for April 2025 indicate that the share of managers reporting shortage of labour force as a factor limiting production declined further for both industry and services. In April, this share stood at 22.9% for services, down from 25% in January and 34.1% in the same month of 2023. In industry, it stood at 18.2%, down from 18.6% three months earlier and 29.2% in spring 2022.

Graph I.5.2: **Job vacancy rate by sector, EU**



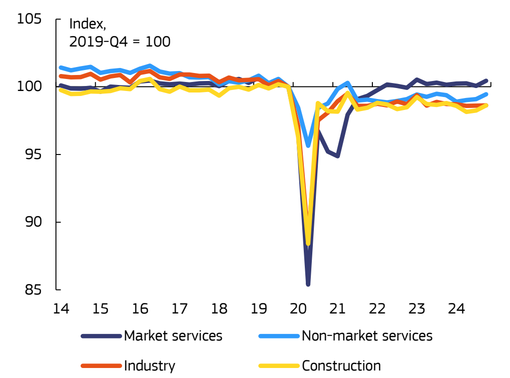
Notes: B-S: Industry, construction and services; B: Mining and quarrying, C: Manufacturing; D: Electricity, gas, steam and air conditioning supply; E: Water supply; sewerage, waste management and remediation activities; F: Construction; G: Wholesale and retail trade; repair of motor vehicles and motorcycles;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

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



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

Graph I.5.4: **Hours worked per employee by sectors**



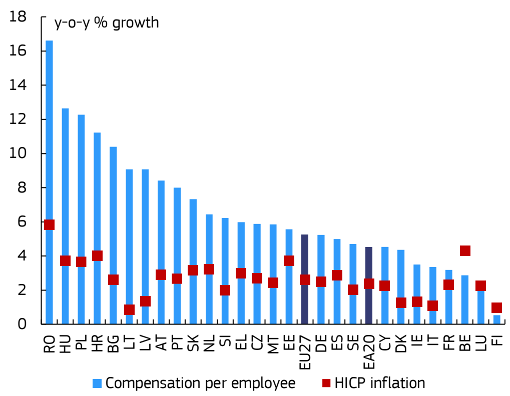
While remaining below pre-crisis levels, hours worked per worker have increased. While employment growth slowed down progressively last year, hours worked per employee have started to rise, particularly during the last two quarters of 2024 (see Graph I.5.4). However, average hours worked per employee continue to hover below pre-pandemic levels. Among sectors, only hours in market services are above pre-pandemic levels while construction and non-market sectors are rising but remain below pre-pandemic levels. Hours worked in industry stagnate at low levels.

Labour productivity also resumed growing in the second half of 2024. Productivity, measured by real GDP per employed person, posted annual declines each quarter from 2023-Q1 to 2024-Q1. After stagnating in 2024-Q2, productivity grew in the last two quarters of last year, by 0.3% in 2024-Q3 and by 0.8% in 2024-Q4. When measured by output per hour worked, productivity already increased marginally in the first half of 2024 and accelerated during the last two quarters. Overall, labour productivity per person increased on average by 0.2% last year in the EU but declined marginally in the euro area (-0.1%). There is a large dispersion across Member States, with a rebound especially noticeable in the non-euro area Member States. Among the largest EU Member States, further declines in labour productivity in 2024 were recorded in Germany and Italy, while a rebound took place in France and Spain.

Wage growth decelerated further in 2024. Compensation per employee continued to grow throughout last year but at slowing pace in both the EU and the euro area. Annual growth in compensation per employee in the EU stood at 4.7% in 2024-Q4, down from 5.7% in 2024-Q1. In the euro area it declined from 4.8% in 2024-Q1 to 4.1% in 2024-Q4. Annual growth in real compensation per employee also slowed down, but to a lesser degree than the nominal values thanks to further declines in inflation rates. Growth remained largely positive, at 2.1% in 2024-Q4 for the EU and 1.8% for the euro area. A comparison between the whole years 2024 and 2023 show a slowdown in nominal wage growth in the EU, from 6.0% in 2023 to 5.3% in 2024. Conversely, real compensation per employee increased to 2.3% in 2024 from a decline of 0.6% in 2023 thanks to a significant decline in annual inflation between 2023 and 2024.

Differences in wage growth across Member States were wide. For the whole year 2024, the highest wage growth rates (in double digits) were recorded in Eastern EU countries such as Romania, Poland, Hungary, Croatia and Bulgaria. Despite higher-than-average inflation, these countries still rank high in terms of real wage growth rates. Among large Member States, the Netherlands, Germany and Spain recorded higher than average nominal wage growth (6.5%, 5.2% and 5.0% respectively) while wages in France and Italy grew more modestly, by 3.2% and 3.4% respectively. In real terms, wage growth differences in 2024 are also large, ranging from declines (Ireland, Luxembourg and Finland) to Eastern countries approaching 10% increases.

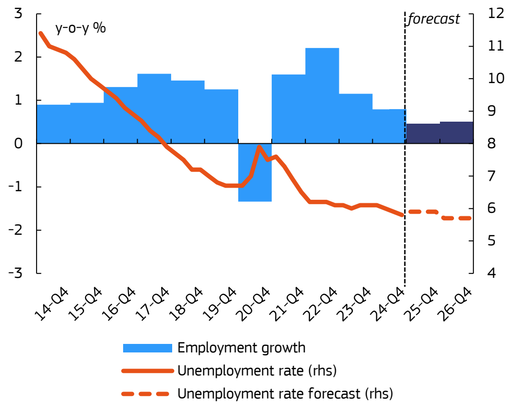
Graph I.5.5: **Compensation per employee and HICP inflation in 2024 across Member States**



Going forward, surveys point to slowing recruitment and wage growth. The European Commission Employment Expectations Indicator (EEI), which summarises managers' employment plans, declined marginally since last Autumn and until the latest print in April this year. The employment index of the euro area composite PMI stabilized around the 50 mark (which separates expansion from contraction) during the first quarter of this year, with little change to euro area employment indicated at the start of the second quarter (Flash report for April).

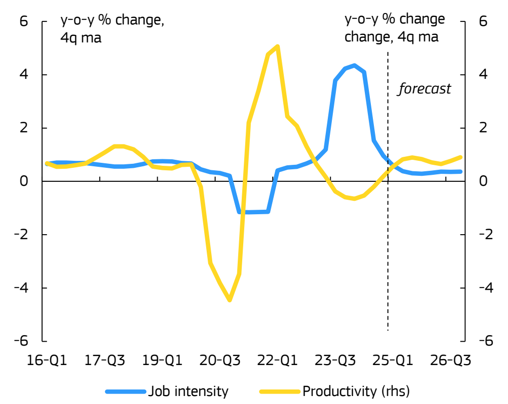
This forecast projects a slowing but still broad-based employment expansion for this year and next. Employment growth in the EU is expected to decline from an annual growth rate of 0.8% in 2024 (1.0% in the euro area) to 0.5% this year and next in both the EU and the euro area (see Graph I.5.6) [9]. Across countries, job losses are expected this year in a few countries including Germany and France (-0.2% in both countries). Conversely, strong employment growth this year is set to continue in Spain (2.1%) and in a few other countries such as Malta and Croatia. In 2026, employment growth is projected to converge somewhat with moderation in countries with strong employment growth this year and a return to job creation in Germany (+0.2%) and France (+0.5%).

Graph I.5.6: **Employment growth and unemployment rate**



Labour productivity is set to rebound this year and to accelerate in 2026, while the job-intensity of growth normalises further. Since 2022, economic growth in the EU has been exceptionally job-rich, with employment growth even exceeding real GDP growth in 2023. While job intensity [10] started to increase in 2022 and peaked in 2024-Q1, labour productivity growth moderated in 2022 and turned negative in 2023. Last year, as job intensity of GDP growth started to decline, labour productivity recovered in the second half of the year but remained overall weak in 2024 (see Graph I.5.7). Job intensity is set to normalize this year and next while labour productivity per employed person is projected to increase further this year, averaging 0.6% growth in the EU (0.4% in the euro area), before gaining strength in 2026 with 1% growth (0.8% in the euro area). Real unit labour costs are also expected to abate thanks to productivity gains and moderation in real compensation per employee. After a strong increase last year (1.7% in both the EU and the euro area), real unit labour costs are expected to increase by only 0.5% this year (0.6% in the euro area) and to decline marginally in 2026 (-0.1% in both the EU and the euro area).

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

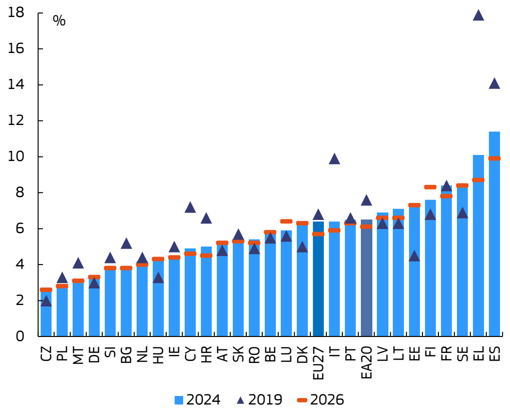


(9) After the cut-off date of this publication, Eurostat published on 15 May the flash estimate on GDP and employment for the first quarter. Employment growth for 2025-Q1 came in at 0.2% for the EU and 0.3% for the euro area, above our projections. This introduces an upside risk to the employment growth and a downside risk to productivity growth.

(10) Job intensity is defined as the ratio of employment growth to economic activity growth and captures the extent to which economic growth is converted into employment growth.

The unemployment rate is expected to stabilise this year and hit a new record low in 2026. Even as employment growth is projected to slow down in the EU, it is set to outpace the increase of the active population. As such, the EU unemployment rate is projected to decline further this year and next and reach new record lows. The EU unemployment rate is expected at 5.9% this year and 5.7% in 2026 (6.3% and 6.1% respectively in the euro area). Member States with the highest unemployment rate, such as Spain and Greece, are expected to continue recording the strongest declines this year and next, hence contributing to the narrowing of cross-country dispersion (see Graph I.5.8).

Graph I.5.8: **Unemployment rates across Member States, 2024 compared to 2019 and 2026**



Wage growth is set to moderate further over the forecast horizon. Latest indicators such as the ECB wage tracker continue to indicate that negotiated wage pressures are easing this year. Furthermore, inflation expectations are also trending lower this year and in 2026. As such, growth of nominal compensation per employee in the EU is expected to moderate further from 5.3% in 2024 to 3.9% this year and 3.0% in 2026. For the euro area, nominal compensation per employee would decline from 4.5% last year to 3.4% this year and 2.7% in 2026. Real compensation is also set to moderate but remain above productivity growth. This year, real wages at EU and euro area level are set to recover all the purchasing power lost since the surge of inflation and start expanding again in 2026. However, the recovery in real wages displays large cross-country disparities. By 2026, average real wages in six Member States (Estonia, Finland, Ireland, Luxembourg, Sweden and Slovakia) are still set to be below their post pandemic peak of 2021 or 2022.

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

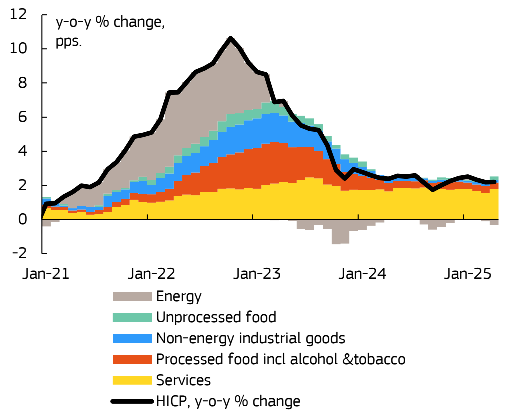
(Annual percentage change)	Euro area							EU						
	Spring 2025 Forecast				*Autumn 2024 Forecast*			Spring 2025 Forecast				*Autumn 2024 Forecast*		
	2023	2024	2025	2026	2024	2025	2026	2023	2024	2025	2026	2024	2025	2026
Population of working age (15-74)	0.6	**0.4**	**0.3**	**0.2**	*0.4*	*0.3*	*0.2*	0.5	**0.3**	**0.2**	**0.1**	*0.3*	*0.2*	*0.1*
Labour force	1.2	**0.8**	**0.4**	**0.4**	*0.8*	*0.5*	*0.5*	1.0	**0.7**	**0.4**	**0.3**	*0.7*	*0.4*	*0.4*
Employment	1.4	**1.0**	**0.5**	**0.5**	*0.9*	*0.6*	*0.6*	1.2	**0.8**	**0.5**	**0.5**	*0.8*	*0.6*	*0.5*
Employment (change in million)	2.4	**1.6**	**0.9**	**0.9**	*1.6*	*1.1*	*1.0*	2.5	**1.7**	**1.0**	**1.1**	*1.7*	*1.2*	*1.1*
Unemployment (levels in millions)	11.2	**10.9**	**10.8**	**10.5**	*11.0*	*10.8*	*10.7*	13.2	**13.1**	**12.9**	**12.6**	*13.1*	*12.9*	*12.7*
Unemployment rate (% of labour force)	6.6	**6.4**	**6.3**	**6.1**	*6.5*	*6.3*	*6.3*	6.1	**5.9**	**5.9**	**5.7**	*6.1*	*5.9*	*5.9*
Labour productivity, whole economy	-1.0	**-0.1**	**0.3**	**0.8**	*-0.2*	*0.6*	*1.0*	-0.7	**0.2**	**0.6**	**1.0**	*0.1*	*0.9*	*1.3*
Employment rate (a)	64.4	**64.8**	**64.9**	**65.1**	*64.8*	*65.0*	*65.3*	64.1	**64.4**	**64.6**	**64.8**	*64.4*	*64.7*	*64.9*

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

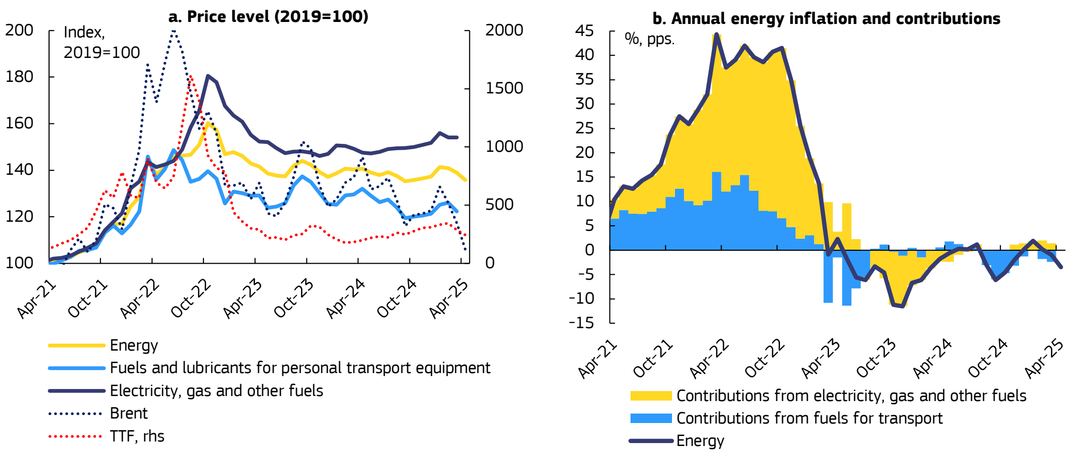
6. INFLATION

Energy has dominated the inflation dynamics since last autumn. After declining over the summer, annual headline inflation in the euro area rose steadily from its three-and-a-half-year-low of 1.7% in September to 2.5% in January, to then moderate to 2.2% in March and April [11]. The increase between September and January was driven primarily by the energy component, which rose by 8 pps. over the same period, progressively turning from a disinflationary to inflationary factor. Energy turned disinflationary again as from February (see Graph I.6.2.b), reflecting a sharp decline in energy commodity prices, which culminated with a contraction of 2.3% m-o-m, in April - the largest monthly decline since end-2022 (see Graph I.6.2.a). Similar trends were observed in most Member States.

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



Graph I.6.2: **Energy commodity prices and inflation in the euro area**

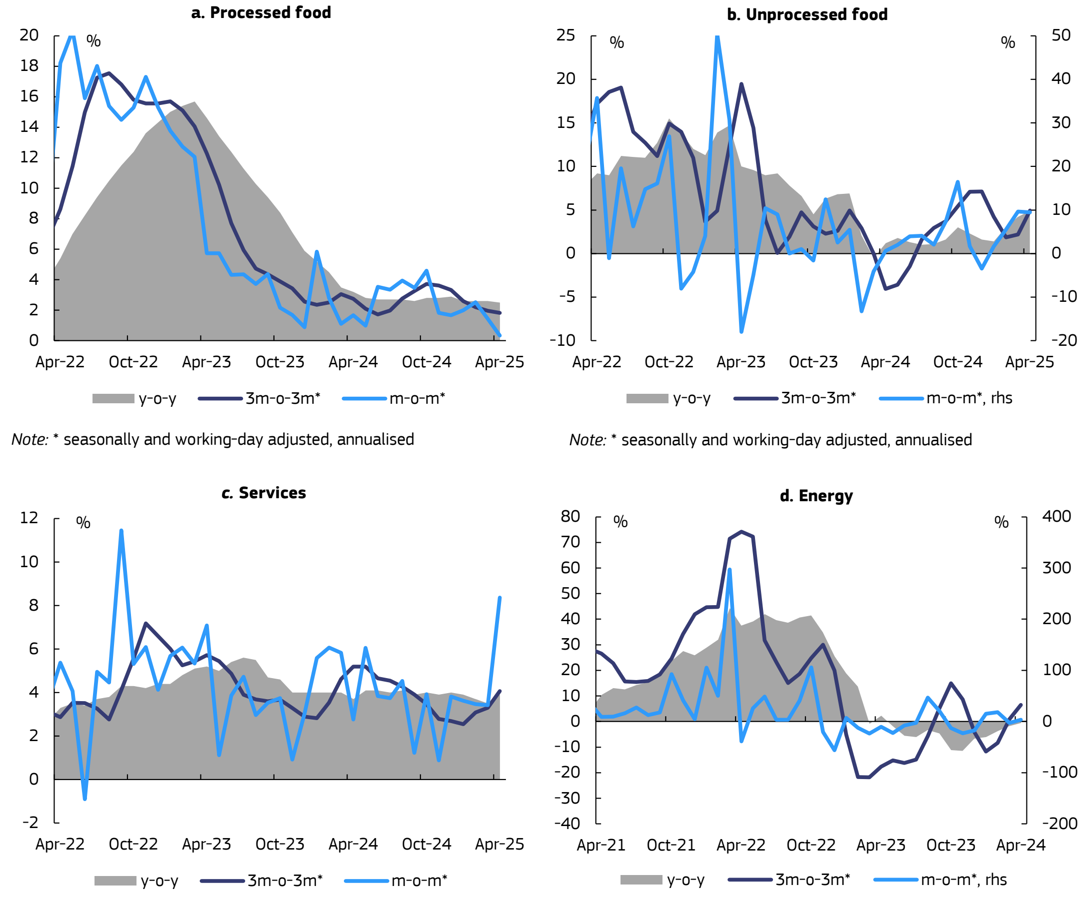


After moderating in late 2024, food inflation rebounded as of February 2025, fuelled by strong momentum in unprocessed food. Following a temporary increase in autumn 2024, food inflation in the euro area moderated to 2.3% in January 2025, back to the 3-year-low registered over the summer months, only to rise gradually thereafter to 3% in April. This increase reflects rising pressures in *unprocessed* food, with annual inflation rising by 3.5 pps. in the first 4 months of the year, to 4.9% in April (see Graph I.6.3.b). The price momentum in this component firmed rapidly as pipeline pressures rebounded in food commodity markets (e.g. fruit and vegetables), amid rising agricultural commodity prices (see Section 2), persistent wage pressures and the pass-through from earlier energy price increases. Inflation of *processed* foods, on the rise in the fourth quarter, fell back 0.4 pps. from December to 2.5% y-o-y in April, still somewhat above historical averages ([1]).

---

(11) According to the flash estimate for the euro area published after the cut-off date of the forecast

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



Note: * seasonally and working-day adjusted, annualised

Note: * seasonally and working-day adjusted, annualised

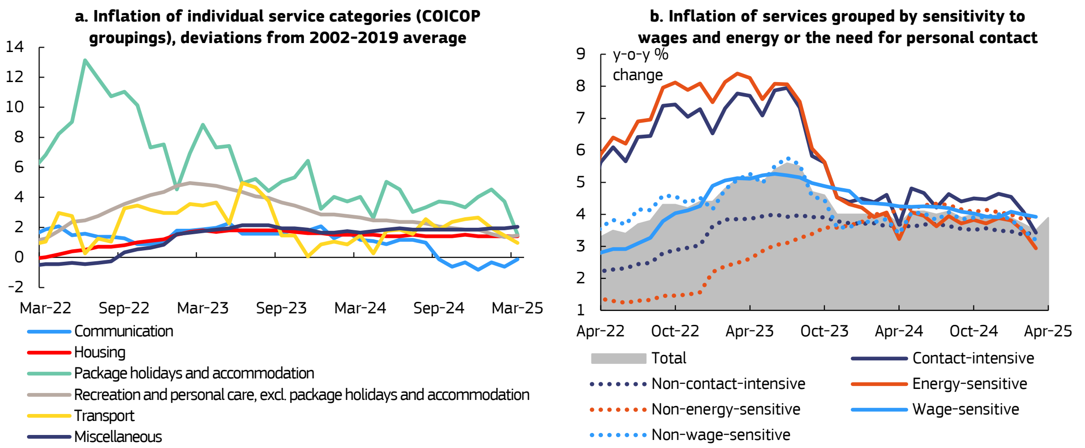
Note: * seasonally and working-day adjusted, annualised

Note: * seasonally and working-day adjusted, annualised

Price pressures in services lost impetus over autumn and but firmed again in early 2025. The gradual easing of momentum in services prices over most of 2024 (see Graph I.6.3.c) was fully offset by positive base effects, resulting in an annual services inflation persisting at around 4%. The price momentum picked up again as from January 2025 but was more than offset by base effects turning negative in the first quarter, leading to a moderation of services inflation to 3.5% in March. A very strong m-o-m rise in services prices in April, however, pushed the annual inflation rate to 3.9%. Even net of the Easter [12] calendar effect, the increase in services price pressures in April remains remarkably strong as highlighted by the spike in the monthly price gain adjusted for seasonal and calendar effects (see Graph I.6.3.c). Looking at individual services categories (see Graph I.6.4a), inflation in communication remained relatively weak, while inflation in other categories continued to exceed historical patterns. Inflation of package holidays and accommodation plunged, likely temporarily, in March, following high readings since 2021 (see Graph I.6.4.a). Overall, the gradual convergence of inflation in services with different degrees of exposure to the successive pandemic, energy and wage shocks suggests that the legacy effect of these shocks is fading (see Graph I.6.4.b).

[12] The timing of Easter (March in 2024 but in April of 2025) likely resulted in a shift in the seasonal increase in package holiday prices with the ensuing strong negative impulse for annual inflation in March 2025 and a positive one in April 2025.

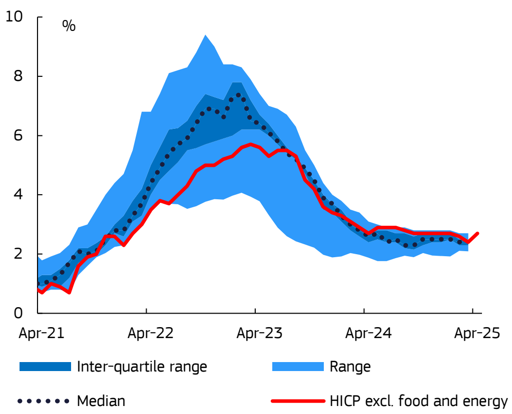
Graph I.6.4: **Services inflation, euro area**



Notes: Graph b: Contact-intensive sectors include Transport services (cp073), Recreational and cultural services (cp094), Package holidays (cp096), Restaurants and hotels (cp11), Hairdressing salons and personal grooming establishments (cp1211). Energy- and wage- sensitive components based on ECB (Fagandini et al, 2024, Decomposing HICPX inflation into energy-sensitive and wage-sensitive items, ECB Economic Bulletin, Issue 3/2024).

Inflation in non-energy industrial goods remains around historical averages. It held steady at 0.5-0.6% since August 2024 amid deflationary pressures from imports, a strengthening euro and subdued consumer demand. Deflation on an annual basis continued in durables but eased somewhat in recent months, converging towards historical averages (from -0.8% on average in 2024-Q3 to -0.2% in 2025-Q1). This was broadly offset by moderating inflation in semi-durables (from 1% in 2024-Q3 to 0.4% in 2025-Q1), while inflation in non-durables plateaued, at around 1.8% since mid-2024.

Graph I.6.5: **HICP excluding energy and food, and a range for 20 alternative underlying inflation indicators in the euro area**



Notes: Median, interquartile range and range refer to a battery of 20 underlying inflation indicators: 10 trimmed means with trims ranging from 5 to 50%, weighted and unweighted median, 3 standard exclusion-based measures (excl. energy, excl. energy and unprocessed food and excl. energy and food), 2 ECB supercore indicators and 3 ECB Persistent and Common Component of Inflation Indicator.

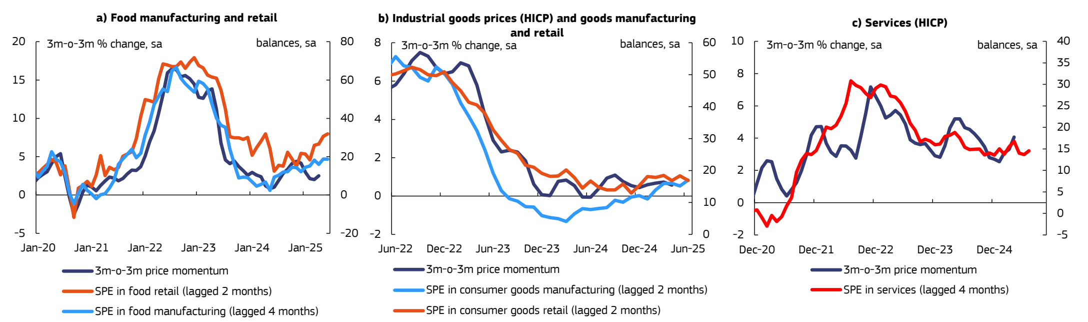
Underlying price pressures edged down in February and March. HICP excluding food and energy has been stable, at 2.7% since September, before edging down to 2.4% in March 2025, a three-year low. It rebounded subsequently to 2.7% in April, driven by services. A range of 20 alternative core inflation indicators point to moderation of underlying price pressures in the first quarter of 2025. The median of all 20 indicators stabilised at around 2.5% since October 2024, but the range and inter-quartile range have narrowed to multi-year lows (see Graph 6.5). A similar moderation in underlying price pressures is visible across most Member States, with the exception of Bulgaria, Hungary and Slovakia experiencing a rebound in services inflation.

The sharp fall in oil and gas prices is set to reinvigorate the disinflationary impact of energy. Following a strong correction of oil (Brent), gas (TTF) and wholesale electricity prices magnified by appreciation of exchange rates across the EU, consumer energy prices are expected to contract, on an annual basis for the rest of 2025 and the first half of 2026. Not only are current commodity price assumptions sharply lower than in the autumn, but – based on futures prices – they also trend down in the remainder of the forecast horizon, ensuring a steady disinflationary impulse this and next year. This implies a significant change from the AF24 when energy was expected to add to inflation in both years.

Intensifying competitive pressures in manufactured goods are set to push industrial goods inflation below historical averages. One of the fallouts from the ongoing trade war between the US and China is the diversion of goods traded between the two countries towards third markets, including the EU. Given the magnitude of these flows, this is set to markedly increase competitive pressures in consumer goods markets across the EU and, together with the appreciation of EU currencies, should push inflation in non-energy industrial goods down, close to 0% (euro area) and 0.5% (EU) later this year and keep it well below historical averages throughout 2026. This is around 0.5 pps. below levels expected in the Autumn Forecast in both the euro area and EU in both years.

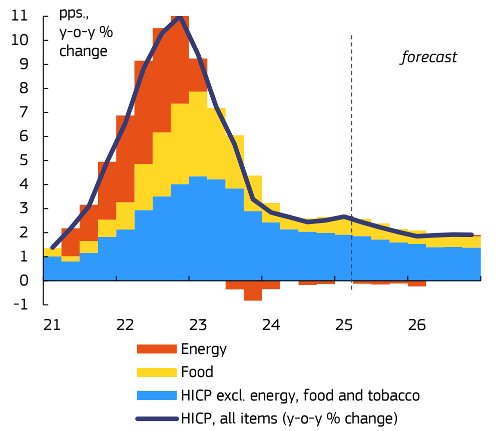
Services inflation is expected to moderate only gradually amid robust, albeit easing, wage growth and persistent labour market tightness. The moderation in services inflation that started in the first quarter is set to continue over the forecast horizon, albeit only gradually, and amid some volatility around the downward trend (as evidenced by the April uptick). The firming price momentum in early 2025 (see Graph I.6.3.c) and rising selling price expectations (see Graph I.6.6.c) point to further persistence of annual inflation rates in the near term, as labour markets remain tight and wage pressures appear somewhat stronger than anticipated in autumn. Still, beyond the near term the momentum in services prices is set to weaken as wage growth cools in an environment of subdued sentiment, negative output gaps and broadly neutral macroeconomic policy mix. This would lead to a gradual moderation in services inflation over the forecast horizon to levels around 2.5% (euro area) and 2.7% (EU) towards the end of 2026, still roughly 0.5 pps. above historical averages.

Graph I.6.6: **Selling price expectations, euro area**



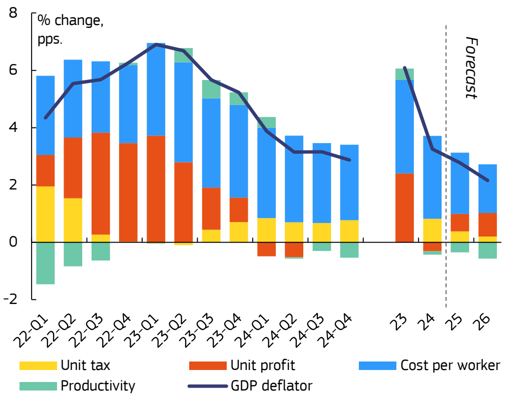
Food inflation is set to remain high in the near term reflecting recent increases in agricultural commodity prices and still elevated labour cost pressures. Agricultural commodity prices have risen markedly since the autumn and futures contracts suggest prices significantly above those assumed in the autumn this and next year. The resulting acceleration in momentum of *unprocessed* food prices is set to keep annual *total* food inflation elevated in the near term. This outlook is confirmed by the increase in the Commission's Business and Consumer Survey's selling price expectations of food manufacturers, and especially in food retail (see Graph I.6.6.a). Food inflation is then set to decline over the course of 2026, in line with receding pipeline pressures from agricultural commodities and labour cost, to settle around its longer-term average for the year as a whole (2.1% in the euro area and 2.5% in EU). All in all, food inflation is revised up strongly by around ¾ pps. in 2025 around ⅓ pps. in 2026 in both the euro area and EU.

Graph I.6.7: **Inflation breakdown, EU**



Summing up, HICP inflation is set for a gradual decline in 2025 and 2026 at a somewhat faster pace compared to the autumn. The current assessment of the impact of trade tensions incorporated in the baseline scenario [13] on EU inflation is clearly negative, with key channels related to the (i) correction of energy commodity prices, (ii) competitive pressures from diversion of Chinese goods away from the US market and (iii) appreciation of the euro and other EU currencies. These downward pressures outweigh (i) higher-than-previously-expected food inflation and (ii) stronger pressures in services amid slightly higher wage growth and tighter labour market compared to the autumn. All in all, the outlook is now for a somewhat faster moderation in core and headline inflation in the forecast horizon. In the EU, headline inflation is projected to decline from 2.6% in 2024 to 2.3% in 2025 and 1.9% in 2026. This is 0.1 pps. and 0.2 pps. below the Autumn Forecast in 2025 and 2026, respectively, in both the EU and euro area. The deceleration in 2025 will be largely concentrated over the next 3 quarters, implying that the euro area inflation will reach the 2% ECB target already by mid-25. Inflation is then expected to move broadly sideways in both EU and euro area in 2026. Core inflation in the EU (excl. food and energy) is set to moderate from 3.1% in 2024 to 2.5% in 2025 (unchanged from the autumn) and 2.0% in 2026 (-0.1 pps. compared to autumn). In the euro area it is projected to decline from 3.1% in 2024 to 2.5% in 2025 (-0.1 pps. from autumn) and 2026 in 2026 (-0.2 pps. from autumn). This downward to the inflation outlook is corroborated by the decline in the market-based inflation expectations to multi-year-lows (see Graph I.3.5)

Graph I.6.8: **Decomposition of the annual growth in GDP deflator, EU**



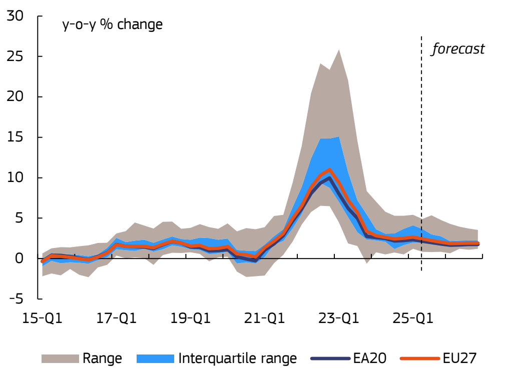
Growth in the EU GDP deflator continued to slow in 2024, supported by the cyclical rebound in productivity. Growth in the EU GDP deflator fell to 2.9% in 2024-Q4, the lowest since mid-2021 (see Graph I.6.8). The contribution from unit profits to the GDP deflator remained negative in the first two quarters of 2024 – partly offsetting its strong contribution in previous quarters - and narrowed sharply in the third and fourth (to 0.0 pp.). This suggests that the "correction" phase which followed the prior profit build-up may be coming to an end. Recovering profit margins are offset by a lower contribution from decelerating wages and a rebound in productivity, which started subtracting from the deflator for the first time in two years. These trends – continued recovery in profits and productivity and moderation in wage growth – are set to continue in the forecast horizon. Together with a shrinking contribution from taxes, they should ensure the deceleration in the GDP deflator from 3.3% in 2024 to 2.8% in 2025 and 2.2% in 2026, the lowest since 2020.

Dispersion of inflation within the EU is set to continue narrowing, albeit important differences in inflation levels and trends at Member-State-level persist. Intra-EU dispersion of inflation rates fell considerably in 2024 and the first quarter of 2025, largely on the back of the waning energy and food price shocks that have had very different impacts on respective domestic consumer price developments (see Graph I.6.9). While the range of inflation

(13) with the notable absence of retaliatory measures from the EU

forecasts across the EU should continue narrowing over 2025 and 2026, a strong geographical pattern remains, with Member States from central and eastern Europe set to have visibly higher core inflation, linked primarily to domestic unit labour cost (see Graph I.6.10). Moreover, in 2025, headline inflation is set to increase from 2024 in e.g. Slovakia, Bulgaria, Hungary and Lithuania, reflecting important hikes in VAT and excise taxes, and in Sweden on the back of an increase in pressures in food and energy. In 2026 headline inflation is projected to moderate in all Member States except for France, where it is set to rebound from below 1% in 2025 (dragged by the largest deflation in energy prices in EU). Except for a pick-up in Slovakia and Bulgaria in 2025, core inflation (excl. energy and food) is projected to moderate in all Member States in 2025 and then further in 2026.

Graph I.6.9: **Range of annual HICP inflation rates in EU Member States**



Graph I.6.10: **Cumulative HICP excl energy and food inflation and wage growth 2025-2026**

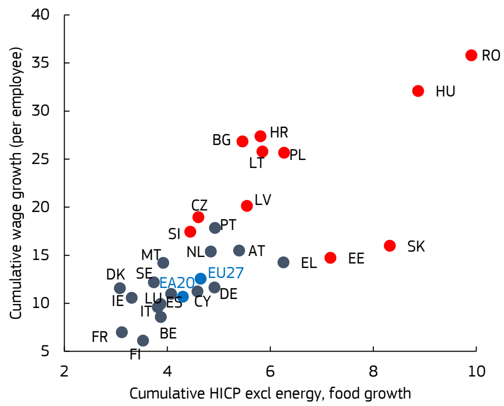


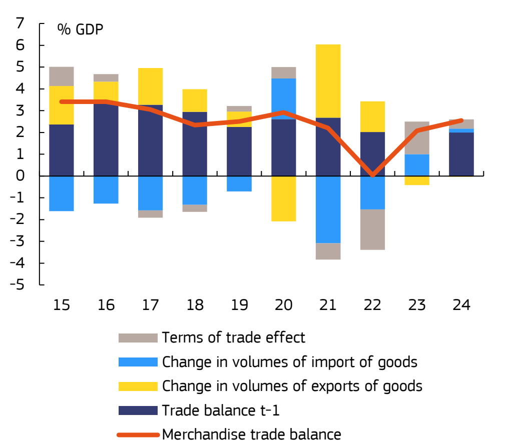
Table I.6.1: **Inflation outlook - euro area and EU**

(Annual percentage change)	Euro area							EU						
	Spring 2025 Forecast				*Autumn 2024 Forecast*			Spring 2025 Forecast				*Autumn 2024 Forecast*		
	2023	2024	2025	2026	2024	2025	2026	2023	2024	2025	2026	2024	2025	2026
Private consumption deflator	6.3	**2.5**	**1.9**	**1.7**	*2.5*	*2.2*	*2.1*	6.6	**2.7**	**2.1**	**1.9**	*2.6*	*2.3*	*2.2*
GDP deflator	6.0	**2.9**	**2.5**	**2.0**	*2.9*	*2.2*	*2.0*	6.1	**3.1**	**2.7**	**2.2**	*3.1*	*2.4*	*2.1*
HICP	5.4	**2.4**	**2.1**	**1.7**	*2.4*	*2.1*	*1.9*	6.4	**2.6**	**2.3**	**1.9**	*2.6*	*2.4*	*2.0*
HICP-overall excluding energy	6.3	**2.9**	**2.4**	**1.9**	*2.9*	*2.3*	*2.0*	7.2	**3.1**	**2.7**	**2.1**	*3.1*	*2.6*	*2.2*
HICP-overall excl. energy and unproc. food	6.2	**2.9**	**2.4**	**2.0**	*2.9*	*2.4*	*2.0*	7.0	**3.2**	**2.6**	**2.1**	*3.2*	*2.6*	*2.2*
HICP-overall excl. energy, food, alcohol, tobacco	5.0	**2.8**	**2.4**	**1.9**	*2.9*	*2.4*	*2.0*	5.7	**3.1**	**2.5**	**2.0**	*3.2*	*2.6*	*2.2*
Compensation per employee	5.3	**4.5**	**3.3**	**2.7**	*4.3*	*3.0*	*2.6*	6.0	**5.2**	**3.7**	**3.0**	*4.9*	*3.5*	*3.0*
Unit labour costs	6.4	**4.7**	**3.0**	**1.9**	*4.5*	*2.4*	*1.6*	6.8	**4.9**	**3.1**	**2.0**	*4.8*	*2.5*	*1.8*
Import prices of goods	-4.3	**-2.1**	**-0.6**	**-0.1**	*-1.6*	*1.6*	*1.6*	-4.0	**-2.1**	**-0.7**	**0.1**	*-1.7*	*1.6*	*1.6*

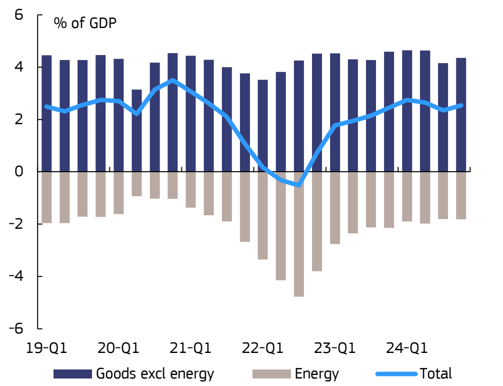
7. EXTERNAL TRANSACTIONS

Merchandise trade volumes declined in 2024, though the net balance increased marginally as the contraction in imports volumes outpaced that of exports. Imports contracted more than exports, as detailed in Section 4, so the trade balance in volume terms increased in 2024. Trade statistics show a slightly different picture. Export volumes continued declining much stronger than import volumes in 2024, resulting in a lower net balance compared to national accounts. The methodological difference between trade statistics and national accounts is explained in detail in Box I.7.1.

Graph I.7.1: **Merchandise balance, volume and terms of trade effects**



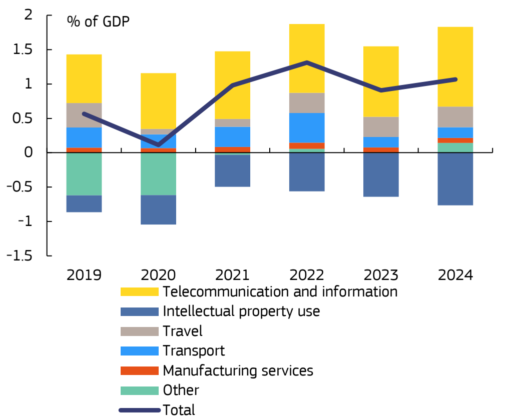
Graph I.7.2: **Merchandise balance**



Terms of trade normalised further as energy prices fell, further lifting the merchandise trade balance. In addition to the volume effect, terms of trade continued improving following the strong rebound in 2023. Particularly the further easing of energy prices helped import prices decelerate more markedly compared to export prices, leading to the positive terms of trade effect on the trade balance (see Graph I.7.1). The lower energy costs reduced the energy deficit to EUR 336 billion in 2024, from EUR 433 billion in 2023. This contributed to a boost in the overall merchandise balance, which averaged 2.6% of GDP in 2024, despite a dip in the last two quarters (see Graph I.7.2).

The services trade surplus reached a new record high in 2024, supported by higher export volumes and further improvement in terms of trade. Services export volumes rose more markedly than the previous year, while growth in import volumes slowed somewhat, pushing the services balance up. Besides the volume effect, terms of trade improved marginally as export prices accelerated faster than import prices. Although the terms of trade effect was less pronounced than for goods, it nonetheless contributed positively to the overall surplus, reinforcing the upturn of the services trade balance.

Graph I.7.3: **Services balance by sector (BOP), EU**

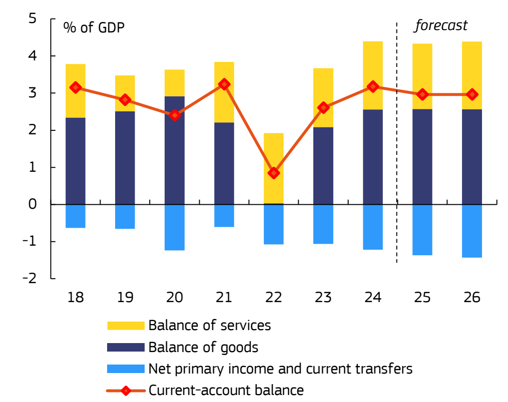


Based on balance of payments (BoP) data, travel and telecommunication were the main drivers of exports of services growth, outpacing growth of imports of intellectual property. The tourism sector rebounded and the travel balance exceeded 2019-levels for the second consecutive year in 2024, while the overall transport balance was still below. Besides, the dynamic increase of the ICT services, that was already pointed to in Section 4, pushed up the overall services balance. In contrast, intellectual property continued to drag down the balance due to the high import share (see Graph I.7.3).

Overall, the trade balance increased to 4.4 % of GDP in 2024 and the current account to 3.2 % of GDP [14], with large differences in contributions by Member States. After rebounding in 2023, the aggregate trade balance continued to expand as both the merchandise and services balance strengthened in 2024. The current account balance picked up too, supported by the increased trade surplus, albeit slightly dampened by a higher deficit of net primary income and current transfers. Member States, however, still diverge largely in their current account ratio to GDP. Amongst large Member States, Ireland, the Netherlands and Germany continued recording current account surpluses, while France is amongst the countries with current account deficits.

Looking forward, the trade balance is set to remain broadly stable as the drag of trade tensions is partially offset by further gains in terms of trade. Exports of goods are set to keep contracting in 2025 before rebounding in 2026, while imports of goods are expected to pick up already in 2025 and to continue accelerating in 2026. Services trade is set to slow slightly, particularly services exports are projected to decelerate more markedly in 2025, growing less than services imports. In 2026, services exports are expected to accelerate again while imports of services are set to slow somewhat. Terms of trade of goods are projected to improve further in 2025, as the prices of exported goods are expected to rise while prices of imported goods are set to continue falling, albeit at a slower pace compared to 2024. As a result, the merchandise and services trade balances are projected to remain broadly stable over the forecast horizon (see Graph I.7.4).

Graph I.7.4: **Current account balance, EU**



The current account is set to decline over the forecast horizon compared to 2024, and dispersion across countries to narrow. In both forecast years, the current account balance is projected to be slightly lower than in 2024, at 3% of GDP in both years (see Graph I.7.4). The current account balance is thus set to remain below pre-2019 levels, like the merchandise balance, while the services balance is expected to remain well above. Dispersion across Member States is projected to reduce over the forecast horizon, with the current account balance declining for most Member States until 2026.

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

	Euro area							EU						
		Spring 2025 Forecast			*Autumn 2024 Forecast*				Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2023	2024	2025	2026	2024	2025	2026	2023	2024	2025	2026	2024	2025	2026
Merchandise trade balance (a)	2.2	**2.7**	**2.7**	**2.7**	*2.9*	*2.9*	*2.8*	2.1	**2.6**	**2.6**	**2.6**	*2.7*	*2.6*	*2.6*
Services trade balance (a)	1.4	**1.7**	**1.6**	**1.7**	*1.8*	*1.7*	*1.8*	1.6	**1.8**	**1.8**	**1.8**	*1.9*	*1.8*	*1.9*
Primary income balance (a)	0.0	**-0.1**	**-0.2**	**-0.3**	*0.1*	*0.1*	*0.0*	-0.1	**-0.2**	**-0.3**	**-0.4**	*0.0*	*-0.1*	*-0.1*
Secondary income balance (a)	-1.1	**-1.1**	**-1.1**	**-1.1**	*-1.0*	*-1.1*	*-1.1*	-1.0	**-1.0**	**-1.0**	**-1.0**	*-1.0*	*-1.0*	*-1.0*
Current-account balance (a)	2.6	**3.3**	**3.0**	**3.0**	*3.8*	*3.6*	*3.6*	2.6	**3.2**	**3.0**	**3.0**	*3.6*	*3.4*	*3.3*
Net lending or net borrowing (a)	2.6	**3.1**	**2.9**	**3.0**	*3.5*	*3.5*	*3.5*	2.7	**3.1**	**3.0**	**3.1**	*3.5*	*3.4*	*3.4*
Terms of trade (b)	4.4	**1.6**	**1.6**	**0.8**	*1.4*	*0.0*	*-0.1*	3.9	**1.3**	**1.6**	**0.7**	*1.2*	*0.1*	*-0.1*

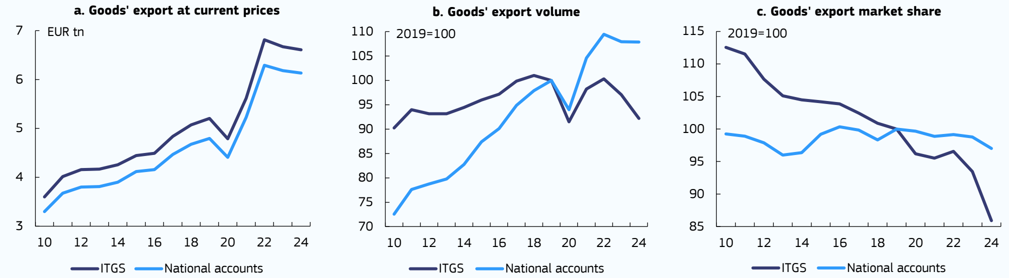
(a) % of GDP, (b) annual percentage change.

(14) Based on National Accounts.

Box I.7.1: **What do different data sources reveal about the EU's export performance?**

Different trade data reveal diverging trends for EU goods exports and trade performance. According to international trade in goods statistics, EU export volumes were nearly 8% lower in 2024 compared to 2019 (see Graph 1b), and the EU lost nearly 15% of its market share in the world, underscoring a long-term downward trend (see Graph 1c). Instead, national accounts data indicate an 8% increase of goods export volumes over the same period, resulting in an only 3% decrease of market share since 2019, following a decade of stability. These figures include both extra- and intra-EU trade for comparability, because national accounts only report total exports for the EU27 aggregate.

Graph 1: **The evolution of EU goods exports**



Sources: Eurostat, WTO (world trade based on ITGS), European Commission (world trade based on national accounts).

International trade in goods statistics (ITGS) and national accounts diverge due to methodological differences in how trade is defined and measured. [(1)] ITGS records goods crossing borders, while national accounts focus on ownership changes. For instance, ITGS excludes merchanting (goods bought from and resold to non-residents without the good actually crossing the territory of the merchant), while national accounts record merchanting as exports on a net basis (i.e., revenue less the purchase value of goods sold). [(2)] Additionally, ITGS does not record any transactions when a resident company buys inputs within a foreign territory, hires a foreign company to process them on its behalf, and sells the finished goods abroad (contract manufacturing). In contrast, national accounts record these transactions as imports (acquisition of inputs) and exports (sales of outputs) of goods, while also booking the value of processing as an import of manufacturing services. [(3)] National accounts also include in goods trade transactions such as products purchased by tourists, low-value trade and illegal trade activities, which ITGS misses as it is traditionally based on customs declarations. [(4)] Valuation methods differ as well: ITGS record exports 'free on board' (FOB) and imports including 'cost, insurance and freight' (CIF), while national accounts record both exports and imports on a FOB basis. These methodological differences result in a steady gap between the two statistics:

(1) The methodology of ITGS is described in Eurostat (2020): User guide on European statistics on international trade in goods, 2020 edition. Luxembourg: Publications Office of the European Union (link).

(2) Merchanting trade occurs when for example a German company buys consumer electronics from a Chinese manufacturer and sells them directly to a retailer in Brazil without the goods ever entering Germany. German customs authorities would not register either the import or the export, but the national accounts would record the net export value (broadly corresponding to the sales margin of the German company on this transaction).

(3) Contract manufacturing occurs when for example an Irish pharmaceutical firm develops and owns the patent for a medication and decides to produce it cost-effectively, by purchasing raw materials in China and contracting a manufacturer in India. The Indian plant manufactures the product on behalf of the Irish company without taking ownership of it. Once produced, the drugs are shipped from India to the US, where they are sold to US distributors. In this case the goods never enter Ireland (thus no impact on trade in ITGS), but the Irish national accounts record an export of goods (to the US), an import of goods (of raw materials from China) and a service import (from India, for the value of the processing services). See also: Contract Manufacturing - CSO - Central Statistics Office

(4) Due to the lack of customs controls within the EU, intra-EU trade is measured through a monthly survey among operators, complemented by other data such as VAT declarations. Low-value (de minimis) trade refers to transactions below the minimum threshold required for customs declarations. Currently, imports from third countries to the EU below EUR 150 are not liable to customs duty, but a simplified customs declaration for such consignments was introduced following amendments to customs legislation in 2019 and 2020. Illegal trade can include smuggling or the underreporting of import values in customs declarations.

(Continued on the next page)

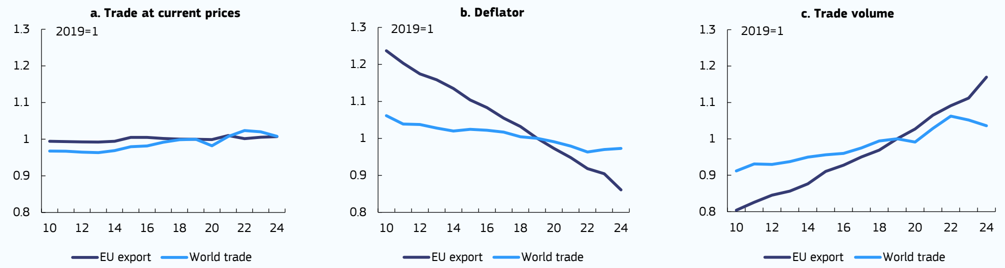
Box (continued)

national accounts systematically record 7-9% less goods exports in the EU27 than the ITGS (see Graph 1a). A common feature of the two datasets is that neither record tariffs levied by the importing country in the value of imports. In national accounts, import tariffs are recorded as indirect taxes on goods.

The two datasets also use different price indicators to compute trade volumes. The ITGS uses unit values based on physical quantities (typically, the weight or the number of units), which do not capture the effect of composition and quality changes. Therefore, if there are changes in the quality of goods being traded, these will not necessarily be reflected in unit values. Conversely, an increase in the unit value of car exports can reflect either a growing share of luxury cars within exports (composition), or improvements in comfort and safety features, performance or range (quality). Comparisons of unit value indices and price indices show that the two methods can give significantly different results. [5] For this reason, national accounts prefer price indices (ideally adjusted for quality) to account for composition and quality effects and generally do not accept the use of unit values (except for sufficiently homogenous goods).

Export unit values could be biased upward by composition and quality changes, which could explain why the ITGS reports lower export volumes than national accounts. The national accounts-based export price index of the EU systematically increases less than the ITGS-based export unit value, suggesting a steady shift towards higher-value and higher-quality products within exports (see Graph 2b). Furthermore, this gap between the growth rates of export prices and unit values is systematically larger in the EU than on average in the world economy, which might suggest that the EU experienced more export quality improvement and/or a stronger shift towards high-value products than the rest of the world. This might reflect the relatively strong integration of EU countries in global value chains (ECB, 2019) which facilitates their specialisation in activities with high skill content (Timmer et al., 2014). [6]

Graph 2: **Selected trade variables: ratios of national accounts to International Trade in Goods Statistics**



Notes: The graph shows each variable in national accounts divided by its counterpart in the ITGS, taking 2019 as base year. Each panel has the same scale for comparability purposes.
Sources: Eurostat, WTO (world trade based on ITGS), European Commission (world trade based on national accounts).

These observations have implications for the use of trade data. National accounts better gauge the contribution of exports to GDP growth and aggregate trade performance, as they account for changes in export quality and composition. They also include exports of goods that are produced by resident companies outside national borders. The ITGS, due to their monthly availability, remain a useful source for the timely monitoring of trade flows, mainly at current prices. They can also be used to analyse trade by product and partner, as these breakdowns are not available in national accounts, keeping in mind the different coverage of ITGS data and the potential biases of the volume measures calculated with unit values.

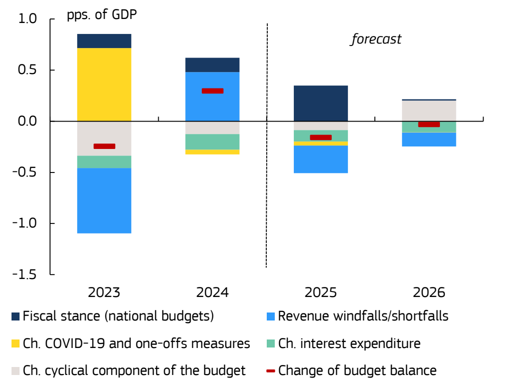
(5) See: Eurostat (2016): Handbook on prices and volume measures in national accounts. Luxembourg: Publications Office of the European Union (link), section 3.9.2

(6) ECB (2019): The impact of global value chains on the euro area economy. ECB Occasional Paper Series 221 (link). Timmer, M.P., Erumban, A.A., Los, B., Stehrer, R., de Vries, G.J. (2014). Slicing Up Global Value Chains. *Journal of Economic Perspectives* 28: 99-118. As a caveat, the same data patterns could also arise if the national accounts of non-EU countries relied more strongly on unit values to compute trade deflators.

8. PUBLIC FINANCES AND THE FISCAL POLICY STANCE

The EU general government deficit fell slightly in 2024. After the small rise recorded in 2023, the EU general government deficit declined again in 2024, reaching 3.2% of GDP (3.1% of GDP in the euro area). The 0.3 pps. reduction was primarily due to large revenue windfalls [15], whereas subdued economic activity alongside rising interest expenditure continued to weigh on the deficit (see Graph I.8.1).

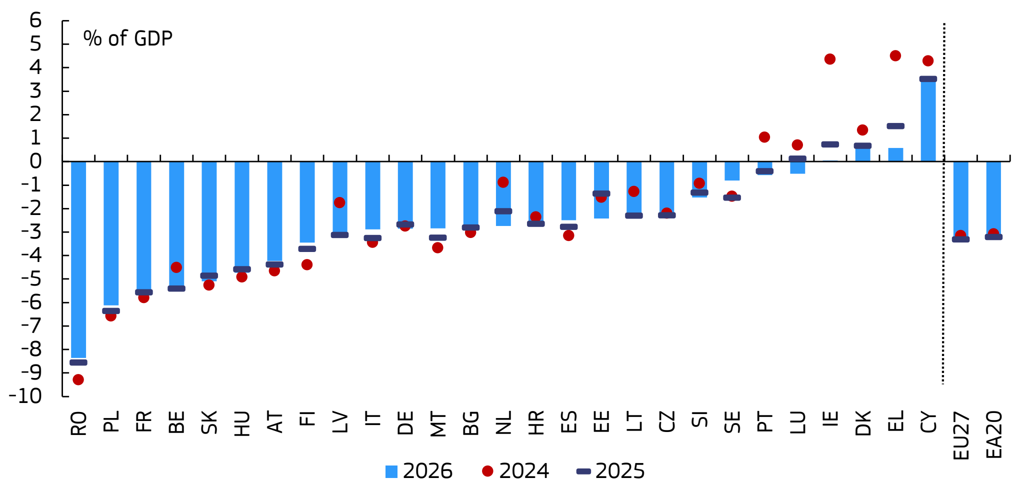
Graph I.8.1: **Drivers of the change in general government balance, EU**



Eleven Member States reported a deficit higher than 3% of GDP in 2024. The number of Member States with a general government deficit exceeding 3% of GDP is expected to stabilise at eleven in 2025 and to decline to nine in 2026, based on unchanged policies (see Graph I.8.2). Eight EU countries are currently under an excessive deficit procedure. [16]

The EU deficit is set to rise marginally in both 2025 and 2026 (see Graph I.8.1). It is projected to increase by more than 0.1 pps. in 2025 and only marginally in 2026, reaching 3.4% of GDP (3.3% in the euro area). Discretionary fiscal policy is set to provide a deficit-reducing contribution in 2025, whereas increasing interest expenditure and revenue shortfalls are projected to exert upward pressure on the deficit in both years.

Graph I.8.2: **General government balance developments across Member States**



Notes: Member States are ordered according to the projected 2026 general government balance.

Revenue- and expenditure-to-GDP ratios are both expected to increase over the forecast horizon (see Graph I.8.3**).** The 0.5 pps. increase of the revenue ratio in 2024 was driven by significant revenue windfalls, which offset large shortfalls recorded in 2023, mainly reflecting the lagged impact of high inflation on certain tax bases, notably wages. [17] The expenditure-to-GDP

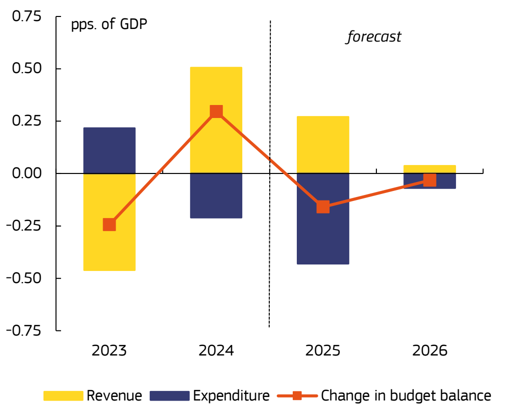
(15) Revenue windfalls (shortfalls) are increases (decreases) in the revenue-to-GDP ratio that are not explained by discretionary measures or transfers from the EU budget.

(16) [Excessive deficit procedures - overview - European Commission](#)

(17) Higher withholding taxes on financial assets' income also supported tax collection in 2024.

ratio also rose in 2024, by 0.2 pps., driven by higher interest expenditure. In 2025, despite some shortfalls, the revenue-to-GDP ratio is forecast to increase by a further 0.3 pps., mainly supported by discretionary measures to sustain social contributions and indirect taxes, as well as by higher transfers from the EU budget. Simultaneously, the expenditure-to-GDP ratio is set to rise by 0.4 pps. due to further increases in interest expenditure and higher investment financed by both national and EU budgets. Both the revenue and expenditure ratios are projected to increase marginally in 2026, based on unchanged policies.

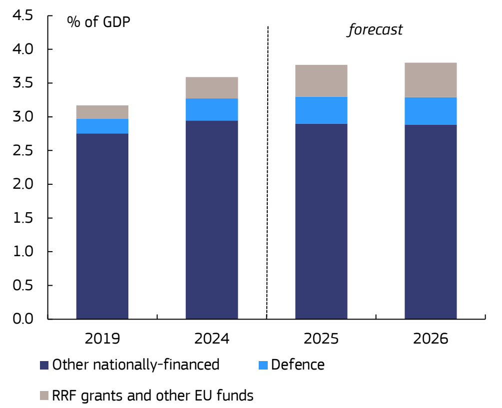
Graph I.8.3: **Expenditure and revenue contributions to the change of general government balance, EU**



Public investment is projected to further increase over the forecast horizon. The EU public investment-to-GDP ratio increased to 3.6% in 2024, from 3.2% in 2019, and is projected to rise further to 3.8% in 2025 and to stabilise in 2026. The increase between 2019 and 2026 is expected to be supported by both the national and the EU budgets. [18] In particular, the projected increase in defence investment, around 0.3% of GDP between 2019 and 2026, drives the increase in investment financed by national budgets (see Graph I.8.4). By the end of the forecast horizon, most EU countries are projected to spend more on nationally financed public investment than they did in 2019.

The EU debt-to-GDP ratio is expected to increase slightly over the forecast horizon (see Graph I.8.5)**.** After declining by 9 pps. between 2020 and 2023, the government debt-to-GDP ratio for the EU aggregate stabilised in 2024, at around 82% (89% in the euro area), approximately 3 pps. above the 2019 pre-pandemic ratio. A slight increase in the EU debt ratio is projected in both 2025 and 2026, to 84.5% of GDP (91% in the euro area). This increase is driven by a less favourable interest-growth-rate differential, reflecting higher debt servicing costs and lower nominal GDP growth, while the projected primary deficits continue to exert upward pressure on debt levels. Additionally, the stock-flow adjustment is set to be debt-increasing over the forecast period. [19]

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

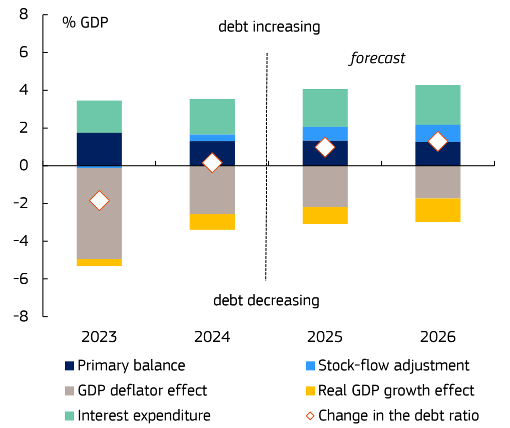


Government debt developments vary substantially across EU countries. By the end of 2026, the debt-to-GDP ratio is projected to be lower than in 2020 for 16 Member States. The most significant declines — exceeding 30 pps. — are observed in Greece, Cyprus, Portugal, and Croatia. By the end of the forecast period, 14 Member States are projected to have debt ratios above 60% of GDP. Among them, Belgium, Greece, Spain, France, and Italy are set to have debt-to-GDP ratios exceeding 100% (see Graph I.8.6).

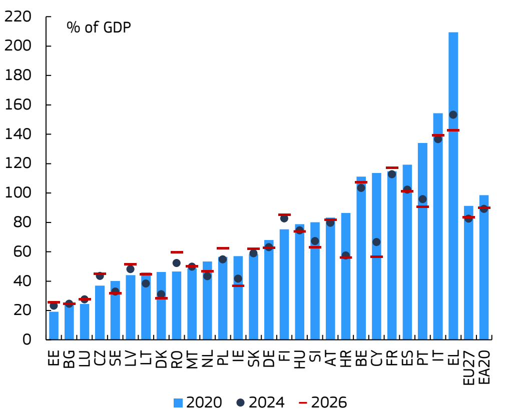
(18) Differences in investment financed by the EU budget among Member States depend on the allocation of Recovery and Resilience Facility grants and other EU funds, as well as the degree of absorption.

(19) The stock-flow adjustment (SFA) explains the difference between the change in government debt and the government deficit/surplus for a given period. Conceptually, the stock-flow adjustment can be broken down into the following categories: net acquisition of financial assets, debt adjustment effects and statistical discrepancies. The debt-increasing SFA projected in the EU is mainly driven by the developments in Italy, Spain and the Netherlands in both 2025 and 2026, and also Poland in 2026.

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



Graph I.8.6: **Debt developments across Member States**



The EU fiscal stance was slightly contractionary in 2024 and is set to be broadly neutral in 2025. After an overall expansion of around 3% of GDP in 2020-23, the fiscal stance for the EU aggregate was slightly contractionary in 2024, by around ½% of GDP (see Graph I.8.7).[20] This slightly contractionary stance was driven by the decline in governments' subsidies to private investment (other capital expenditure; especially housing renovations in Italy) and lower expenditure financed by EU funds,[21] only partly offset by increasing investment financed by national budgets. A broadly neutral fiscal stance is projected for 2025 in the EU aggregate (and the euro area), with some restraint in both net current expenditure[22] and other capital expenditure, driven by the adjustment requirements of the new EU fiscal framework, partly offset by further expanding investment nationally financed (mainly for defence) and expenditure financed by RRF grants. In 2026, the no-policy-change forecast points to a neutral fiscal stance in the EU (and in the euro area). The impact of activating the National Escape Clause of the Stability and Growth Pact, providing flexibility over 2025-2028 for higher defence expenditure, is likely to materialise from 2026 onwards. For the EU aggregate, this impact is expected to be broadly offset by the additional consolidation measures needed to comply with the requirements of the EU fiscal framework (see also Special Issue 3 "The economic impact of higher defence spending").

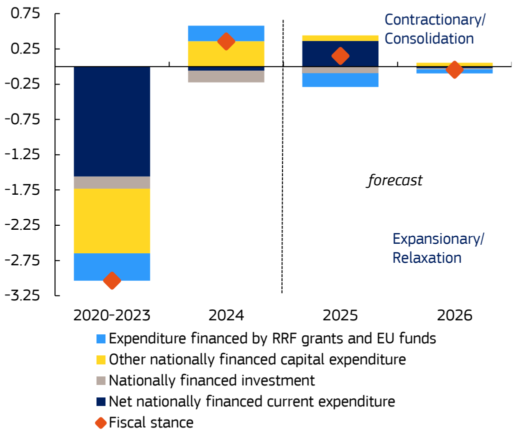
[20] The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. See for more details Cepparulo et al. (2024), An Assessment of the Euro Area Fiscal Stance, Economic Brief 080, European Commission. The fiscal stance is considered broadly neutral at a value within the -0.25% / +0.25% of GDP range while it is considered expansionary (-) or contractionary (+) outside this range.

[21] Expenditure financed by EU funds was particularly high in 2023 due to the absorption of remaining funds from the Multiannual Financial Framework (MFF) 2014-2020.

[22] Current expenditure net of i) interest expenditure; ii) discretionary revenue measures; iii) current 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. For further discussion and comparison of this aggregate with the fiscal stance, see also See Box I.2.4 of the Commission Autumn 2024. For an overview of Member States' medium-term fiscal plans, see e.g. European Commission (2024). 2025 European Semester: bringing the new economic governance framework to life. COM(2024) 705 final (link).

Contractionary fiscal policies are expected in eight Member States in 2025. Cross-country heterogeneity in fiscal policy is expected to be pronounced in 2025, with fiscal stances ranging from a contraction of 1.9% of GDP in Malta to an expansion of 2.6% of GDP in Denmark (see Graph I.8.8). This dispersion can be attributed partly to the design of the new economic governance framework, which differentiates fiscal adjustment requirements based on countries' fiscal challenges, and partly to the different fiscal impulse from expenditure financed by RRF grants and other EU funds. Net current expenditure, which includes the impact of discretionary revenue measures, is projected to be the main driver of the overall fiscal stance in the majority of Member States, with a significant contraction (more than 0.75% of GDP) projected in Slovakia, Estonia, Romania, Finland, France, Austria and Italy. In most countries, nationally financed investment and especially expenditure financed by RRF grants and other EU funds are expected to provide high-quality fiscal support to the economy in 2025.

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



Graph I.8.8: **Fiscal stance across Member States, 2025**

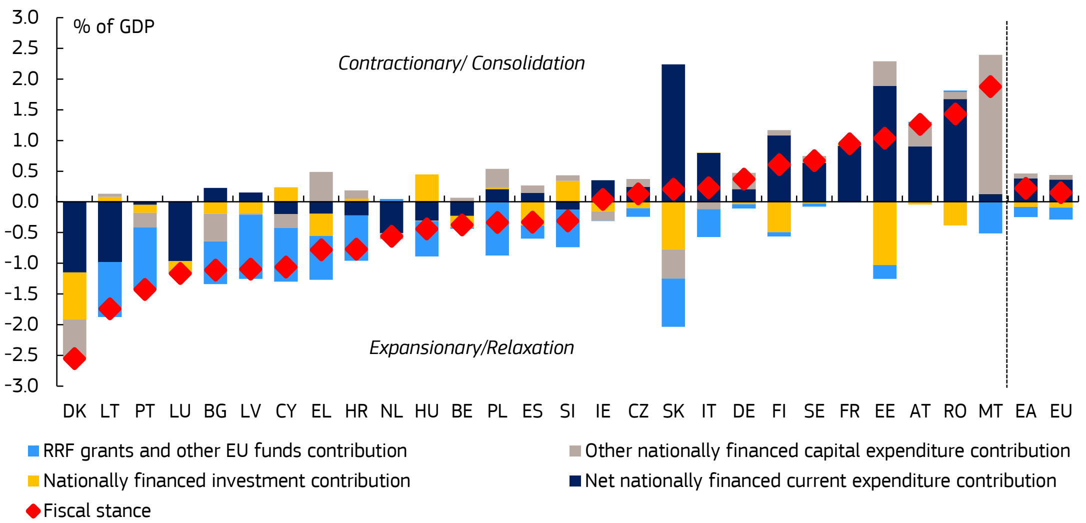


Table I.8.1: **General government budgetary position - euro area and EU**

(% of GDP)	Euro area							EU						
	Spring 2025 Forecast				*Autumn 2024 Forecast*			Spring 2025 Forecast				*Autumn 2024 Forecast*		
	2023	2024	2025	2026	2024	2025	2026	2023	2024	2025	2026	2024	2025	2026
Total revenue (1)	46.0	**46.5**	**46.8**	**46.9**	*46.5*	*46.7*	*46.6*	45.5	**46.0**	**46.3**	**46.4**	*46.1*	*46.3*	*46.2*
Total expenditure (2)	49.5	**49.6**	**50.0**	**50.2**	*49.5*	*49.6*	*49.4*	49.0	**49.2**	**49.6**	**49.7**	*49.2*	*49.3*	*49.1*
Actual balance (3) = (1)-(2)	-3.5	**-3.1**	**-3.2**	**-3.3**	*-3.0*	*-2.9*	*-2.8*	-3.5	**-3.2**	**-3.3**	**-3.4**	*-3.1*	*-3.0*	*-2.9*
Interest expenditure (4)	1.7	**1.9**	**2.0**	**2.1**	*1.9*	*2.0*	*2.1*	1.7	**1.9**	**2.0**	**2.1**	*1.9*	*2.0*	*2.0*
Primary balance (5) = (3)+(4)	-1.8	**-1.2**	**-1.2**	**-1.1**	*-1.1*	*-0.9*	*-0.7*	-1.7	**-1.3**	**-1.3**	**-1.3**	*-1.2*	*-1.0*	*-0.9*
Change in structural budget balance (a)	0.4	**0.7**	**0.1**	**-0.2**	*0.8*	*0.2*	*-0.2*	0.3	**0.5**	**0.0**	**-0.2**	*0.6*	*0.2*	*-0.2*
Overall fiscal stance (b)	0.1	**0.5**	**0.2**	**0.0**	*0.1*	*0.8*	*0.0*	0.1	**0.4**	**0.2**	**0.0**	*0.1*	*0.6*	*0.1*
- Fiscal stance - contribution from national net expenditure	0.2	**0.3**	**0.4**	**0.0**	*0.2*	*0.8*	*0.0*	0.1	**0.1**	**0.3**	**0.0**	*0.2*	*0.6*	*0.1*
- Fiscal stance - contribution from the EU	-0.1	**0.2**	**-0.2**	**-0.1**	*-0.1*	*0.0*	*0.0*	-0.1	**0.2**	**-0.2**	**-0.1**	*-0.1*	*0.0*	*0.0*
Gross debt	88.9	**88.9**	**89.9**	**91.0**	*89.1*	*89.6*	*90.0*	82.1	**82.2**	**83.2**	**84.5**	*82.4*	*83.0*	*83.4*

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

9. RISKS

The risk assessment for this forecast is dominated by the uncertainty surrounding the tariff configuration that will prevail over the forecast horizon. The set-up of US tariffs vis-à-vis the EU and other partners that underpins this forecast (see Section 1) is a purely technical assumption. The negotiations with trade partners that the US government intends to engage in could yield very different outcomes. If the currently suspended high tariffs are reinstated, they could significantly impact EU GDP, particularly through substantial confidence effects. The scale and nature of this shock would largely depend on the policy responses from the EU and other partners, as discussed in the Special Issues section, and would be commensurate to the high importance of bilateral trade relations between the EU and the US, both directly and via global value chains (see Box II.1.1). The trade agreement between the US and China reached on 12 May, which reduced tariffs to 30% on Chinese imports into the US and 10% on US imports into China, is a positive development that presents an upside risk to our growth forecast. However, the baseline projections already factor in lower US tariffs than those seen at the forecast's cut-off date. Though current rates are arguably even lower than assumed in the forecast, they remain relatively high and are likely to significantly lead to a reduction of trade flows between the US and China. Additionally, the agreement only temporarily suspends tariffs, leaving the door open for renewed escalation. From the EU's viewpoint, the new trade deal between China and the US suggests that negotiation outcomes may not necessarily be worse than those assumed. However, for the EU, the scope for a relatively (i.e. in the sense of relative to other US trading partners) more favourable set up than currently assumed appears more limited. Moreover, a continuously changing (trade) policy environment could continue to restrain domestic demand. Overall, risks to the forecast are perceived to be skewed towards the downside. Related risks to consumer inflation are both on the upside – triggered by e.g. a rebound in commodity prices or possible EU retaliatory tariffs – and on the downside – due to weaker demand pressures on services.

Episodes of financial stress could have lead to broader spillovers and have potentially systemic impacts. Trade tensions could also lead to protracted financial volatility, especially if retaliatory measures result in sharp corrections in asset values. While the market turbulence observed during the week of 2–9 April remained contained, it underscored the risk of contagion from non-bank financial institutions to the wider financial system. In a scenario where stress spreads from leveraged intermediaries to the banking sector via asset fire sales, the impact on credit availability and economic activity could be more severe than currently anticipated.

A more adverse global environment could strengthen the EU's resolve to act collectively and catalyse long-needed reforms. Ongoing trade tensions may prompt the EU to accelerate trade negotiations with other key partners, thereby reinforcing its position as a reliable trading partner. The political resolve to deepen the Single Market, particularly in services, digital, and energy sectors, could be summoned in the face of external headwinds. Progress on the Savings and Investment Union and a recalibration of regulatory burdens—where disproportionate to their benefits—could boost productivity, support growth, and ease inflationary pressures in the medium term. Narrowing the gap between abundant savings and insufficient investment could also help reduce the EU's elevated current account surplus, thus addressing concerns over global imbalances.

Some recent initiatives aimed at boosting productive spending, not incorporated in this forecast, could bolster economic activity. Germany's planned increase in infrastructure and defence spending could support economic activity, enhancing potential growth in Germany and in the EU, albeit at the risk of higher inflation. Additional defence spending, leveraging flexibility margins within the Stability and Growth Pact, might also provide a marginal boost to economic activity, especially if investments are directed towards R&D, though as a secondary benefit to the primary goal of enhanced security for the EU as a whole (Box I.4.1 and Special Issue 3).

A resurgence of inflation in the US could have global repercussions. Should US inflation rise due to supply-side disruptions linked to tariffs, the Federal Reserve may be compelled to pause or even reverse its loosening cycle. This would trigger a renewed tightening in global financial conditions, with especially acute spillovers for emerging markets and open economies like the EU.

Climate-related shocks remain a persistent and increasingly tangible source of downside risk. Recent flooding in Valencia and wildfires in parts of North America, including the Los Angeles area, illustrate once again how climate change can cause sudden and severe disruptions to economic activity. While such events are difficult to predict in terms of timing and location, their increasing frequency and intensity are indisputable. This underscores the urgency of stepping up climate adaptation and mitigation efforts, as well as strengthening resilience—particularly in regions and sectors most exposed to physical risks. Failure to act decisively could amplify the macroeconomic and fiscal costs of future climate events.

PART II

Special Issues

1. THE MACROECONOMIC EFFECT OF US TARIFF HIKES

This Special Topic presents estimates of the effects of the US tariff announcements up to 2 April 2025, alongside hypothetical symmetric retaliations by the affected countries or trade blocks. While highlighting the channels through which tariffs – taken in isolation - impact both the economies of the imposing nation and the targeted economies, the analysis complements the baseline projections presented in this publication. Results indicate that the imposition of tariffs weakens the US economy, with moderate negative effects also on EU GDP. A general tit-for-tat retaliation deepens the negative impacts in both the US and the EU. Beyond the direct effects of tariffs, rising uncertainty and a loss of investor confidence in the US economy further aggravates the adverse economic consequences by tightening financing conditions.

This Special Topic presents model simulations of three stylised scenarios related to the sharp protectionist turn of US trade policy and potential countervailing measures. The first scenario reflects US announcements up to and including 2 April 2025, featuring sizeable *unilateral tariff hikes* on US imports of goods from virtually all trading partners. (23) As the long-term outlook remains uncertain, the increase in tariffs is assumed to be highly persistent, though not permanent. In a second scenario, the simulations add the effects of *symmetric retaliations* by other countries, amid a stylised global tit-for-tat escalation. The sweeping US tariff announcements, as well as the uncertainty regarding their application, triggered strong responses in financial markets, with investors demanding higher risk premia on dollar-denominated financial assets. (24) The third scenario therefore illustrates the impact of *shifts in US risk premia*, on top of the pure unilateral tariff effects. Simulations are based on DG ECFIN's QUEST model. (25)

Unilateral US tariff hikes

While higher tariffs shift US demand from imports towards domestically produced goods, they also act as an adverse supply shock. Tariffs are a tax on imports that make foreign goods more expensive for US households and firms. This induces some substitution away from imports towards US-produced goods (*expenditure switching channel*), which boosts US aggregate demand. (26) At the same time, tariffs erode the purchasing power of wages, which lowers labour supply. (27) Moreover, through taxing imported intermediate inputs, tariffs raise domestic production costs, acting as a further *adverse supply shock*.

(23) The effective bilateral tariff rates used in our simulations are calculated based on the following set of assumptions: a general increase of 25 percentage points (pps) on goods imported from Mexico and Canada, with only 10pp on oil imports from Canada, and with USMCA-compliant imports (assumed to be 40% of total imports) being fully exempted; 54 pps on goods imports from China, 20 pps on goods from the EU, and 23 pps on average from the rest of the world. These country-specific headline rates are fine-tuned by sectoral tariff hikes of 25 pps in the case of aluminium, steel and automobile imports. For other sectors that are temporarily exempted (e.g. pharmaceuticals and semiconductors) we assumed the country-specific headline rate would apply. Trade in services is taxed at 0%. As a result, the effective tariff rate on total US imports (including services) goes up by around 20 pps.

(24) See, e.g., Jiang et al. (2025) "Dollar Upheaval: This Time is Different", *mimeo* (16 April 2025).

(25) QUEST is a New Keynesian open economy dynamic stochastic general equilibrium (DSGE) model. The model framework includes the main features relevant for understanding tariffs, such as imperfect substitutability of goods produced in different regions, and sluggish adjustment of import volumes in response to relative price changes. Trade flows and nominal exchange rates are modelled bilaterally, via integrated international goods and capital markets. The dynamic model structure enables us to trace both short and long-run effects. The model distinguishes between a tradable and a non-tradable sector. While it lacks the sectoral detail of typical trade Computable General Equilibrium (CGE) models and therefore cannot assess impacts on specific manufacturing sectors and services, it includes trade in intermediate inputs for both the tradable and non-tradable sectors. This captures linkages through cross-border value chains, which is crucial as trade in intermediate inputs amplifies the effects of trade barriers. For these simulations, we use a 6-region version of the model, including the EU, US, China, Canada, Mexico and the rest of the world (RoW), with trade linkages calibrated based on the FIGARO database.

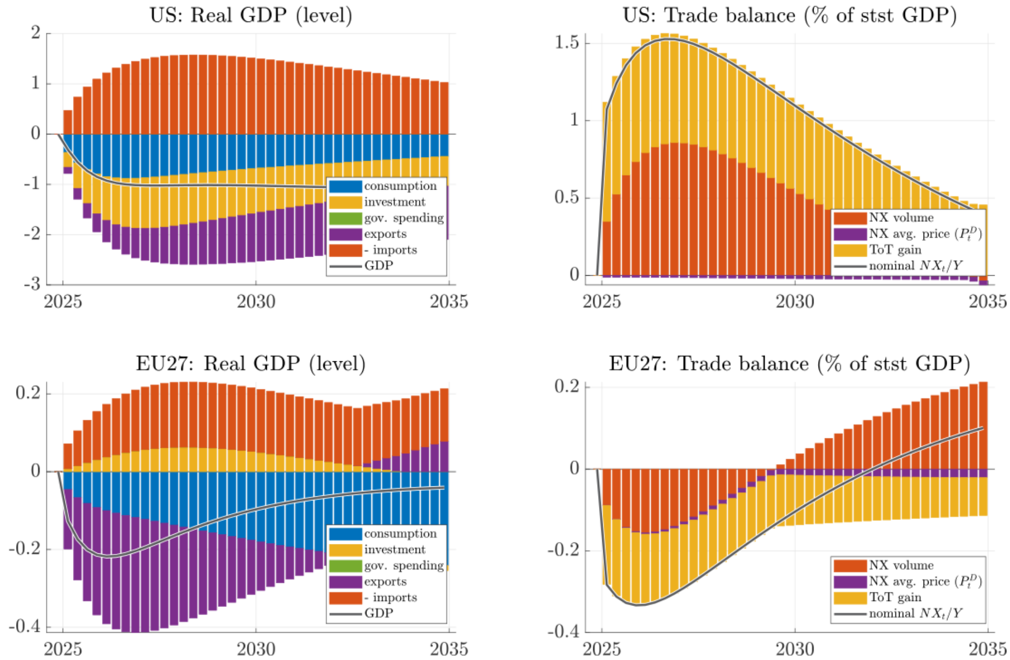
(26) This demand-boosting effect of tariffs is partially weakened in our model by several channels: a) substitution between imports and domestic goods is sluggish in the short run; b) with liquidity-constrained households, as tariffs erode the purchasing power of incomes, this weakens demand not just for imports but also for domestically produced goods (*real income channel*).

(27) This reflects the substitution effect from lower real wages, reducing labour supply as leisure becomes relatively cheaper. In the case of tariffs, the opposing income effect from lower real wages – which would typically increase labour supply, as poorer households can afford less leisure – is offset for unconstrained households by an income boost from higher expected net government transfers, funded by tariff revenues.

US terms-of-trade appreciation dampens the effect of tariffs on relative prices. Excess demand for domestic products puts a strain on the economy's resources, leading to a 5.6% appreciation in the US terms-of-trade (ToT), [28] which is reflected partly in higher domestic inflationary pressures, and partly in a stronger nominal exchange rate for the US dollar (induced by monetary tightening in response to higher inflation). [29] The stronger ToT offsets roughly one third of the direct effect of tariffs on relative prices, and acts as an equilibrating force to bring demand for US goods back in line with supply capacities.

The US economy is hurt by the tariffs, as falling exports and weaker domestic demand drive GDP 0.6-1.0% lower (top left panel of Graph II.1.1). A stronger real exchange rate, in addition to limiting the shift away from imports, also makes US exporters less competitive abroad, thereby crowding out exports (*expenditure switching channel*). In addition, higher real interest rates, as monetary policy reacts to higher inflation, reduce domestic demand for investment and consumption (*intertemporal substitution channel*). [30] At the same time, however, the terms-of-trade gain from a stronger dollar provides some cushion for the fall in consumption demand, as it raises the purchasing power of domestic incomes (*real income channel*).

Graph II.1.1: **Unilateral US tariffs on imports**



Notes: The panels on the left report real GDP in %-deviation from baseline, with the contribution of expenditure components to GDP. The panels on the right show the respective trade balance-to-GDP ratios (in pp-deviation from baseline), showing contributions by volumes, average price level change and terms-of-trade (relative price) changes. NX (ToT) refers to net exports (terms-of-trade).

Tariffs reduce US trade deficits only temporarily, by 1.3-1.5% of GDP. While tariffs shift the composition of demand from imports towards US-produced goods, the resulting terms-of-

(28) The terms-of-trade (ToT) is the ratio of export prices to import prices (at the border, expressed in the same currency), capturing the relative price of domestically produced and foreign-produced goods. In other words, it shows how much a country can import in exchange for its exports (with a higher ToT making a country richer), but also how expensive its exporters are in world markets (with higher/stronger ToT hurting competitiveness). The ToT is a kind of *real* effective exchange rate measure, and depends on nominal exchange rates as well as on domestic and foreign price levels. While in the medium term, monetary policy has less control over the real exchange rate itself, it can influence to what extent a given real appreciation pressure is reflected in stronger nominal exchange rates or relatively higher domestic inflation.

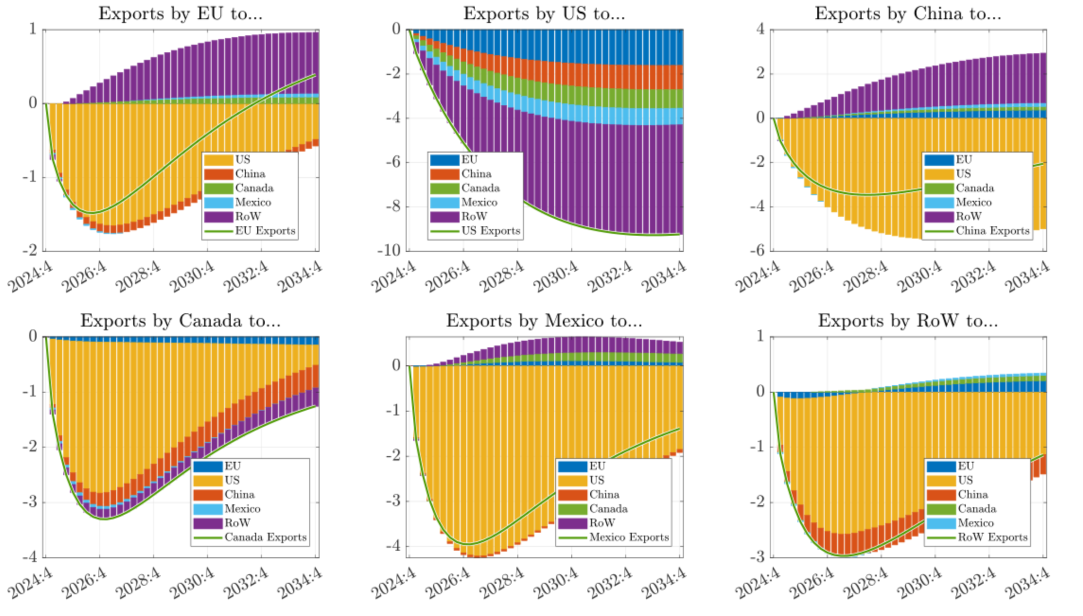
(29) To a smaller extent, weakened US import demand also puts downward pressure on the export prices of US trading partners, which contributes somewhat to the US terms-of-trade appreciation.

(30) As the tariff shock is assumed to be non-permanent, tariffs act as an *intertemporal tax*, encouraging the postponement of consumption, and deepening the negative intertemporal substitution effects.

trade appreciation crowds out exports, in order to bring demand for US goods back in line with supply capacities. Therefore, the tariff hike reduces gross trade flows, lowering both imports and exports. [31] That said, initially, import volumes decline more (by 6-11%) than export volumes (by 2-6%), implying a positive contribution to the trade balance (see top right panel of Graph II.1.1). On top of the volume component, the terms-of-trade gain raises the nominal trade balance further, as it reduces the import bill and boosts export revenues through changes in relative prices. [32] However, in the medium run, these effects fade as the fundamental drivers behind the US external balance – saving relative to investment – are not significantly affected.

EU GDP would be lowered moderately, by around 0.2%, driven mainly by weaker exports (bottom left panel of Graph II.1.1). The exports of the EU initially decrease by 1.1-1.5% (see Table II.1.1). Since the US is one of the EU's largest export markets, EU exports suffer from the shrinking American market *size*, as US firms and households respond to tariffs by importing less overall, including from Europe (see yellow bars in top left panel of Graph II.1.2). However, this effect is somewhat mitigated via two channels. First, EU exporters gain market *share* in third countries at the expense of American exporters who become less competitive due to a stronger dollar and more costly imported inputs (see purple bars). Second, they would also gain market *share* in the US, at the expense of Chinese exporters who are targeted with asymmetrically higher tariffs. At the same time, this asymmetry also implies a larger ToT depreciation for China than for the EU, eroding the competitiveness of EU exporters in the Chinese market (see red bars), and slightly raising EU imports from China (blue bars in the top right panel). Graph II.1.2 also highlights the importance of exposure to the US market: despite a similar rise in tariff rates, the decline in US-bound exports is significantly smaller for the EU than for Mexico or Canada, who are more reliant on the US as an export destination.

Graph II.1.2: **Export decomposition (unilateral US tariffs on imports)**



Notes: Export volumes are reported in %-deviation from baseline, with the contribution of various destination markets.

The EU's trade balance would decline by about 0.3% of GDP (see bottom right panel of Graph II.1.1). The flipside of a stronger dollar is a weaker (more competitive) real effective

(31) This is a (partial) manifestation of the Lerner symmetry, which points out that a tax on imports behaves similarly to a tax on exports.

(32) The higher current account balance is also a reflection of a temporarily higher saving-investment differential in the US, stemming from lower domestic demand (i.e. spending falling more than national income). This can also be broken down as higher government budget balances, driven by tariff revenues of around 2.0-2.5% of GDP (while the net lending balance of the private sector initially declines by a smaller amount).

exchange rate for Europe. This does not only cushion the fall in EU exports (as discussed above), but also reins in European import demand, inducing substitution towards domestically produced goods that mitigates the fall in GDP and in the volume component of the trade balance. That said, this volume component is still negative as exports initially decline more than imports.

The terms-of-trade loss makes the EU poorer. A depreciating terms-of-trade lowers the trade balance beyond the negative volume contribution and erodes the purchasing power of European incomes beyond the fall in real GDP, lowering *real gross disposable income (rGDI)* by 0.4% (see Graph II.1.3). [33] This real income loss also weighs on EU consumption demand.

Table II.1.1: **Unilateral persistent US tariffs on imports**

	2025	2026	2027
US			
GDP (level, % dev)	-0.6	-1	-1
CPI inflation (p.p. dev)	0.7	0.2	0.1
Trade balance (p.p. dev)	1.3	1.5	1.5
Imports (level, % dev)	-5.6	-9.3	-10.7
ToT (level, % dev)	5.6	5.6	5.4
EU27			
GDP (level, % dev)	-0.2	-0.2	-0.2
CPI inflation (p.p. dev)	0.0	-0.1	-0.1
Trade balance (p.p. dev)	-0.3	-0.3	-0.3
Exports (level, % dev)	-1.1	-1.5	-1.4
ToT (level, % dev)	-1.1	-1.0	-0.9

Notes: Aggregated results for annual frequency. Deviations relative to a scenario without tariffs.

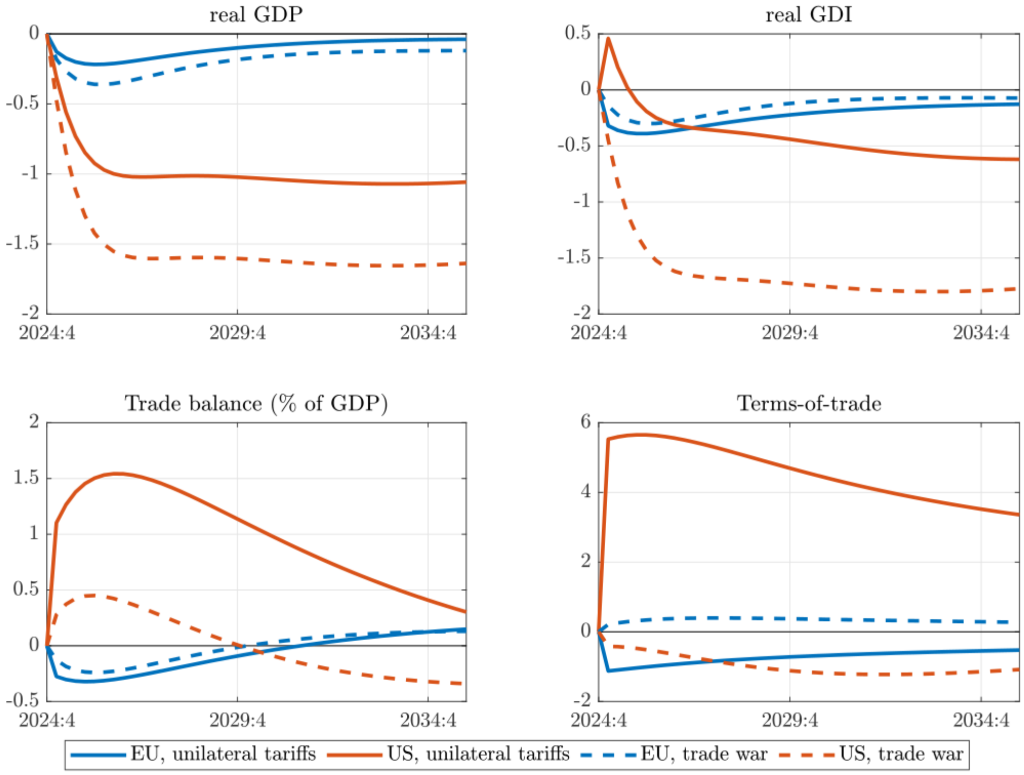
Inflation in the EU is likely to decline only mildly. Recessionary forces lower domestic inflationary pressures in Europe, but the exchange rate depreciation in this scenario partly counteracts this effect via rising import prices. Responding to lower inflation and slower growth, monetary easing in Europe would provide some support to domestic demand.

Symmetric retaliation by all US trade partners

Retaliation by the EU and all other trading partners would be harmful for GDP in the US, the EU and the rest of the world. The general result that tariffs hurt the economy of the country that implements them applies also to retaliatory tariffs. In an alternative scenario, illustrating a hypothetical "trade war", we simulate *symmetric* retaliations by all trading partners on imports from the US (see dashed lines in Graph II.1.3). In addition to deepening US GDP losses relative to our central scenario (solid lines), retaliation also raises European GDP losses further, to 0.3-0.4% – despite mitigating the fall in the EU's trade balance. At the same time, Europe's ToT-loss gets eliminated, so the EU's real gross disposable income (rGDI) declines somewhat less in this scenario. In contrast, by undoing the original ToT-gain of the US, together with deepening the GDP losses, coordinated global retaliations hurt American rGDI markedly. The effects on the US economy are larger, given that the tariffs affect the entirety of American trade flows, while for other countries they are levied only on their trade with the US.

(33) Real gross disposable income (rGDI) expresses the value of an economy's output in terms of its domestic spending (i.e. private and public consumption and investment). In other words, it reflects the purchasing power of the incomes earned from domestic production. rGDI is equal to the sum of real GDP and the terms-of-trade gain.

Graph II.1.3: **Macroeconomic effects on the EU and the US under unilateral tariffs and retaliations.**



Note: The macroeconomic effects on the EU (blue) and the US (red) of unilateral US import tariffs (solid lines), with potential symmetric retaliation from trading partners on imports from the US ("trade war" scenario, dashed lines). Tariff hikes are persistent (with quarterly AR1 coefficient of 0.975). Unless indicated, lines depict %-deviation of levels from no-tariff baseline. Real GDI refers to real gross disposable income, which is real GDP complemented with the terms-of-trade gain.

These stylised simulations only cover selected channels of the tariff hikes. One important caveat for the interpretation of the results is that the model simulations do not consider productivity losses stemming from the lower exploitation of comparative advantages amid a more fragmented global trade landscape and reduced gross trade flows. This channel could exacerbate the negative economic consequences further. [34] In addition, while our macroeconomic model suggests moderate aggregate effects on the EU, the impacts on specific Member States and economic sectors could differ substantially.

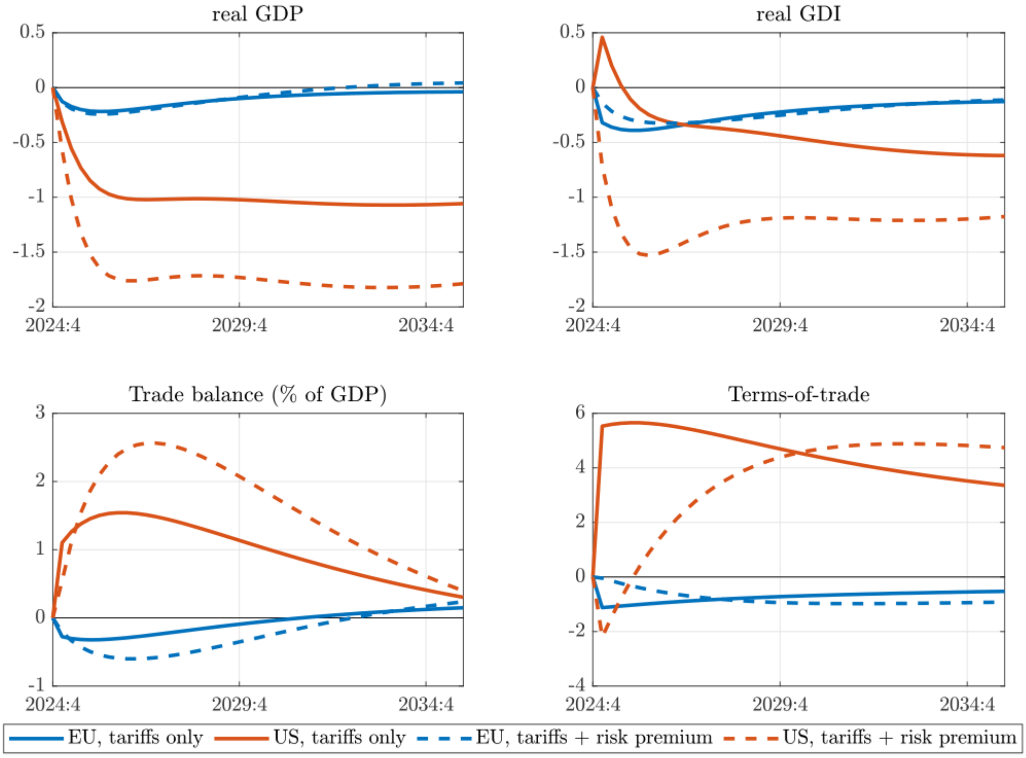
Uncertainty and confidence shocks

A loss of confidence in the US economy and rising uncertainty further aggravate the adverse economic consequences. The above model simulations, which only consider the direct effect of tariffs, do not account for additional negative confidence effects, the extreme rise in global trade uncertainty, or expectations about adverse productivity effects in the US – all of which may hold back investment decisions and tighten financing conditions. The reaction of financial markets following the 2 April announcement (e.g. the unusual combination of a falling dollar and rising US Treasury yields) seems to indicate such forces are highly relevant in the current context.

To qualitatively illustrate the implications of these additional channels, we simulate a stylised increase in the risk premium on USD denominated assets and US capital investments, on top of the unilateral US tariff hikes discussed above. In the absence of a comparable precedent, precise quantification is not feasible at this stage, so the exercise is purely illustrative.

(34) While the model distinguishes between traded goods produced in different regions, it does not single out commodities in general. Therefore, the effects of specific commodity price movements observed recently might not be captured entirely.

Graph II.1.4: **Macroeconomic effects on the EU and the US with unilateral tariff and risk premium shocks.**



Note: The macroeconomic effects on the EU (blue) and the US (red) of unilateral US import tariff hikes only (solid lines), with additional illustrative risk premium shocks on US financial assets and capital (dashed lines). Tariff hikes are persistent (with quarterly AR1 coefficient of 0.975. Unless indicated, lines depict %-deviation of levels from no-tariff baseline. Real GDI refers to real gross disposable income, which is real GDP complemented with the terms-of-trade gain.

Higher risk premia on US assets raise interest rates further and induce a dollar depreciation. In recent weeks, such USD depreciation has more than offset the appreciation pressure that would be implied by unilateral US tariff hikes alone. However, as shown in Graph II.1.4, despite a weaker nominal dollar, the US real exchange rate (and terms-of-trade) is still expected to strengthen over time, only more gradually. While the more gradual terms-of-trade appreciation supports US net export volumes relative to a pure tariff shock, the higher interest rates induced by rising risk premiums dampen domestic capital accumulation and consumption demand – on balance deepening the decline in US GDP. Moreover, the smaller terms-of-trade gain lowers real gross disposable income even further. Therefore, although the US trade balance rises more in this scenario (due to both a more competitive terms-of-trade as well as lower domestic spending), it happens amid a more recessionary economic landscape.

For the EU, the consequences of the additional risk premium shocks are more contained, as long as the loss of confidence concerns primarily the US (as assumed here). The stronger euro weighs on the trade balance, but at the same time, investments also become relatively more attractive in Europe, leaving the GDP response similar.

Box II.1.1: **EU-US trade relationship through the lens of global value chains**

The analysis in this Box looks at global trade from the point of view of integration in Global Value Chains, with a focus on the EU-US relationship. In an increasingly challenging geoeconomic landscape, the narrative of deglobalization has gained traction, claiming an ongoing process of fast decreasing economic interdependence between different parts of the world. However, analysis in the Autumn 2024 Forecast publication [(1)] presented new evidence of still expanding Global Value Chains (GVC) in recent years (until 2022). The analysis presented in this box extends to 2023 and takes a deeper look at the EU-US relationship through the lens of GVC.

EU-US trade links are analysed taking into account intra-EU trade relevant for GVC. This analysis looks at EU trade from the perspective of Member States, treating intra-EU trade as equally important as extra-EU trade in forging GVC, thus underscoring the importance of the EU's single market. While all EU Member States share a Common Commercial Policy (CCP) they nevertheless constitute a very diverse group of economies with, namely, different structures, currencies and legal systems. Thus, intra-EU trade exploits the same type of comparative advantages that motivate countries to engage in GVC and should therefore not be ignored in the analysis. While accounting for intra-EU flows naturally increases all measures of EU's integration in GVC, it also puts the EU-US relationship in a pragmatic perspective, in which the US becomes yet another important trading partner, but for most Member States it ranks well behind their major EU export markets.

For both the EU and the US, participation in GVC increasingly relies on services. Eurostat's macroeconomic globalisation indicators based on the FIGARO database (2024 edition) [(2)] suggest that in 2023 integration in GVC [(3)] rose further in the US and remained broadly stable in the EU [(4)]. Participation of the EU in GVC has been broadly stable over the two first decades of the century but increased in the post-pandemic years. Total GVC integration rose from around 50% of gross exports in 2010 to 54% in 2022 and 2023 (see Graph 1). This increase was driven by services whose contribution doubled between 2000 and 2023. This occurred largely via backward participation – that is, by relying on inputs from other countries in earlier stages of the value chain to produce goods that the EU later exports further. The contribution of goods trade, while still accounting for two-thirds of total GVC participation in 2023, has seen a steady decline in the past 25 years (from nearly 85% in 2000). Turning to the US (see Graph 1b), its participation in GVC moderated from 2010 until 2015 on a declining importance of (backward participation) of goods, but started recovering as services took centre stage, gradually lifting the contributions to US GVC indices from 9% in the early 2010s to 15% in 2023. Services now account for half of US participation in GVC, compared to roughly one-third in the first half of the previous decade. Services in US GVC predominantly represent intermediate inputs that are further processed and exported by other countries (i.e. forward participation).

---

(1) Box I.2.1 "Global trade outlook and the resilience of Global Value Chains" (Autumn 2024 Forecast)

(2) FIGARO is the official global input-output tables released annually for the 27 EU Member States and its main 18 trade partners, including a rest of the world region for 64 industries and 64 products. More details at: Rémond-Tiedrez, I., Rueda-Cantuche, J.M. (eds.) (2019). EU inter-country supply, use and input-output tables: full international and global accounts for research in input-output analysis (FIGARO): 2019 edition, Publications Office of the European Union. Luxembourg.

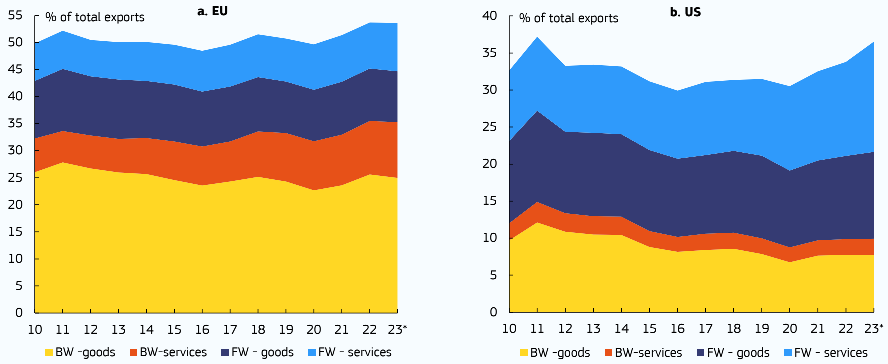
(3) Total GVC participation indices are the sum of backward and forward participation rates. The backward participation is calculated as a share of foreign value added in gross exports of an economy and is an indicator of the extent of an economy's use of foreign-sourced intermediates in the production of goods and services for export. The forward participation is calculated as domestic value added generated in an economy due to other countries' exports as a share of a country's gross exports. It is indicative of the extent to which an economy's exports of domestically produced inputs are used by the import countries for further processing and exports in downstream production stages (WTO, Global Value Chain Development Report, 2023.). These indices thus provide a comprehensive picture of an economy's involvement in GVCs, encompassing both the input and output sides of global value chains.

(4) In line with the adopted approach to account for intra-EU trade relevant for the GVC, throughout the box, GVC participation indices of the EU are calculated as a (weighted) sum of individual Member States GVC.

(Continued on the next page)

Box (continued)

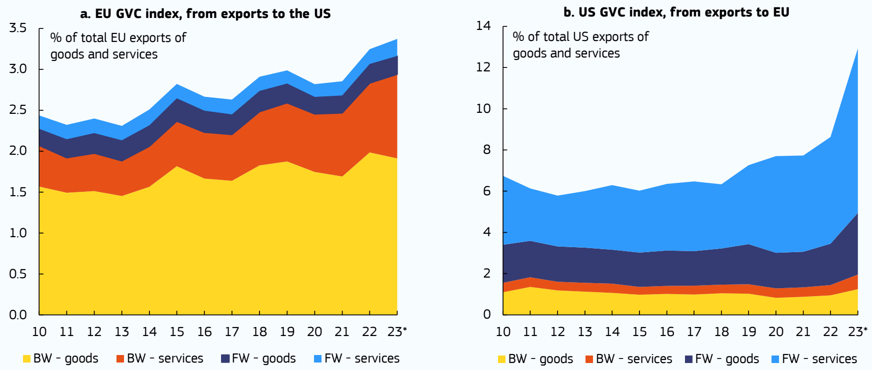
Graph 1: **Total GVC Participation indices - contributions from backward, forward, goods and services**



Notes: * preliminary estimate

Bilateral EU-US links via GVC have grown significantly over the past two decades. Trade in intermediate goods between the EU and US propelled by expanding GVC has grown steadily as a share of exports since 2010 (see Graph 2). In the EU, this was driven entirely by backward links, i.e. foreign inputs imported by EU countries, processed domestically and later exported to the US. Over the past 14 years the share of these exports doubled in services and increased by one-third in goods (see Graph 2a). In contrast, forward integration, i.e. the share of EU value added embedded in exports to the US that are processed there and later exported, remained broadly stable. These trends have lifted the overall share of the US in EU's GVC participation between 2010 and 2023 by roughly 1 pp, to 3.4% of EU exports in 2023. This happened against a broadly stable contribution from the rest of the world and a slight increase in contributions from intra-EU trade. When it comes to the US' participation in GVC, the contribution from the EU has grown even more. However, here EU's input has been more important on the side of forward participation, that is directly related to US exports to the EU that are further processed and reexported by the EU. Expansion in these trade flows has been particularly buoyant in services, the contribution of which roughly doubled in the last decade and now account for more than half of the total trade (up from one-quarter in 2011).

Graph 2: **Index of total participation in GVC: Bilateral contributions to ...**



Notes: * preliminary estimate

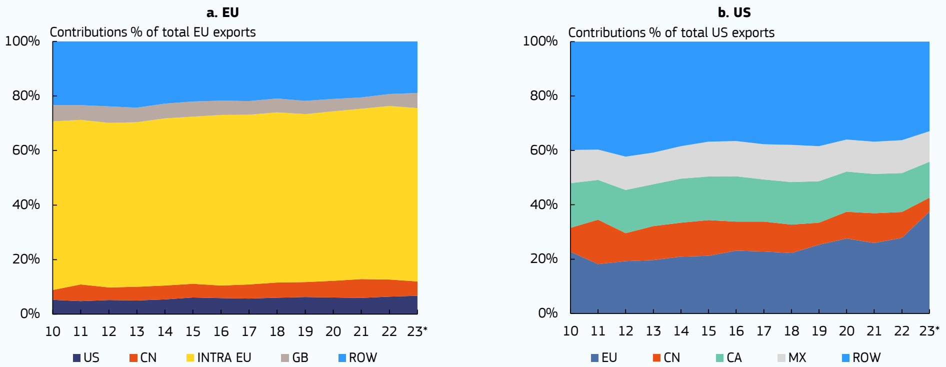
The EU plays a much greater role in US GVC than the US in EU's ones. While expansion in bilateral trade has supported GVC integration in both countries over the last two decades, there is a stark difference in relative reciprocal importance. From the point of view of the EU, GVC-related intra-EU flows are by far the most important, accounting for 60% of total EU exports in 2023, up from 56% in 2011-2013, with a notable 2-pp-increase since 2019. GVC-related trade within the EU thus dwarfs that with the US. The latter rose, as a share of total EU exports, from below 5% in 2010-2013 to 6.3% in 2023 (see Graph 3a). By contrast, the EU remains by far the biggest partner in the GVC-related trade in the US. The EU's share more than doubled between 2011 (16.5%) and 2023 (35.4%), largely driven

(Continued on the next page)

Box (continued)

by the tripling of the contribution from Ireland, which in 2023 accounted for roughly one-third of the EU's input. This occurred against the backdrop of broadly stable shares of Canada and Mexico, declining shares of Korea and Japan and a sharp reduction in the share of China due to its gradual retrenchment from GVC (see Box I.2.1 in the Autumn 2024 Forecast).

Graph 3: **Index of total participation in GVC: Share of main trading partners**



Notes: * preliminary estimate.

Services lie at the heart of bilateral EU-US trade within GVC. While the importance of the US to EU GVC integration is considerably smaller than the other way around for both goods and services, a clear specialisation shapes the bilateral trade patterns. The share of both countries in respective partners' GVC is considerably higher in services than in goods, particularly in the case of EU's input to US GVCs. This is not surprising given that services have been driving both countries' integration in GVC over the past two decades (see Graph 1). However, backward links are more important for the US' contribution to EU GVCs, while forward links are key to the EU's contribution to US GVCs (see Graph 4). In other words, where the US matters most for the EU is exports to the US that are related to processing of intermediate goods and services previously imported by the EU. In contrast, the importance of the EU in US GVC is key in the segment of exports to the EU that are further processed in and then exported by the EU. The latter is where the EU becomes clearly indispensable for US integration in GVC. In 2023, the domestic US value added embodied in the exports to the EU that are then further exported by the EU accounted for 25.5% of all US exports in goods (up from 14.4% in 2011) and as much as 54% of all US exports of services (up from 25.4% in 2011). The contribution from Ireland was instrumental in driving up GVC trade in services between the EU and US, with the country accounting for nearly half of all GVC-related exports from the US to the EU in 2023, up from 32% in 2011.

(Continued on the next page)

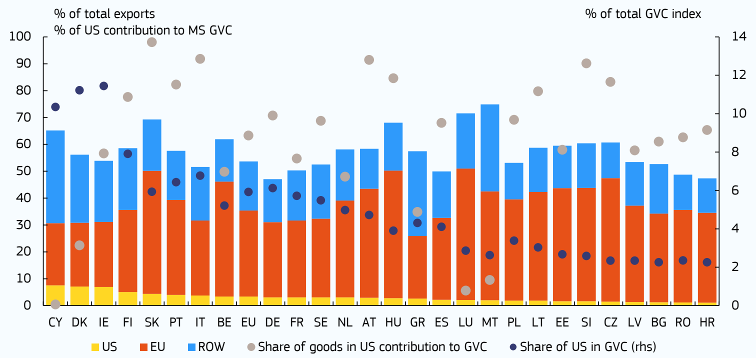
Box (continued)

Graph 4: **Bilateral importance of trade within GVC: Percentage contribution to the GVC participation**

Notes: Blue line: Share of US in EU GVC, yellow line: Share of EU in US GVC.
* preliminary estimate

Both the EU and US are vulnerable to the intensification of bilateral trade tensions, but the threat seems greater for large segments of the US integration in GVC. While the trade-restrictive measures taken by the U.S concern trade in goods and the growth impact analysis of the new tariffs rightly focuses on the fallout from disruptions to merchandise trade, it is trade in services that has driven GVC in recent years and therefore appears key to their further expansion. The relative importance of the bilateral EU-US relationship is also by far more critical for services than for goods where diversification of trade is much higher, and both the EU and the US have many other important trading partners. In services, however, the vulnerability of the US to the EU market appears very high, with GVC-related exports to the EU accounting for roughly one-half of all US services exports. It is therefore, in services rather than in goods, that the EU has a powerful potential leverage in trade negotiations and disputes with the US.

Graph 5: **Total GVC participation indices of EU Member States in 2023, contributions from the US**



(Continued on the next page)

Box (continued)

Cyprus, Denmark and Ireland are most exposed to the US via GVC. The contribution of the US to individual Member State's integration in GVC varies significantly across the EU (see Graph 5). While intra-EU trade dominates GVC-related trade for all EU MS, the US is nevertheless an important partner for Cyprus, Denmark and Ireland, with absolute contributions exceeding 7 pps (of total exports), or more than 10% of all GVC-related exports. Interestingly, exposure of Cyprus is concentrated almost entirely in services, in the case of Denmark services account for less than 80%, while for Ireland only 43%. Other countries highly exposed to the US via GVC include Finland, Slovakia, Portugal, Italy and Belgium – all predominantly in goods, with the exception of the latter where exposure is equally divided between goods and services. Overall exposure of most Central and Easter European (CEE) countries (except Slovakia) remains relatively low, with the lowest in Bulgaria, Romania and Croatia. However, in view of current tensions concerning merchandise trade, the overall share of goods in GVC-related trade with the US is particularly relevant. From this perspective exposure of the CEE and several southern European countries appears remarkably high, with more than 90% of GVC links with the US in Slovakia, Italy, Austria, Slovenia, Czechia and Portugal.

2. BUSINESS ADJUSTMENT TO TENSIONS IN FOREIGN MARKETS AND DRIVERS OF CONSUMERS' VIEWS ON THE ECONOMY: SURVEY EVIDENCE

In February/March 2025, the Commission's harmonised business and consumer surveys included additional 'ad hoc' questions investigating 1) the extent to which European firms adjust their business strategies in response to tensions, disruptions or policy changes in foreign markets, and 2) the impact of selected factors on consumers' views of their country's economic situation. [35] *This Special Topic summarises the results of the two ad hoc surveys.*

European firms' strategic response to tensions, disruptions and policy changes in foreign markets

Increasing geopolitical tensions and trade fragmentation challenge the resilience of global value chains, by undermining the collaborative networks on which they depend. As countries impose trade restrictions or become less dependable partners, companies may reconfigure their supply chains, redirect output to new markets, or relocate production or operational hubs to more stable or 'friendly' countries. The set of four ad hoc questions included in the February/March waves of the business surveys investigated these adaptive strategies and their potential impacts on operational costs and output prices. The results of this ad hoc survey must be interpreted against the backdrop of mounting challenges to the global trade environment posed by the recent turn towards protectionism in the US. While the questions were asked before the announcements of new US tariffs on goods imports from the EU, the new US administration had already clearly signalled its sharp protectionist shift.

Twelve EU Member States, representing 63% of EU GDP took part in the ad hoc survey, though not always covering all four sectors. In the EU, more than 44 000 firms took the ad hoc survey. Of these, firms in the manufacturing and services sectors accounted for around 30% each; construction and retail trade made up another 20% each of the sample. To derive EU and cross-sector country estimates, the results were aggregated using weights based on gross value added in each country and sector. All figures reported in this text are weighted averages.

The questions read as follows:

Q1. Have you adjusted, or plan to adjust, your strategies regarding the sourcing of inputs, location of production, or destination markets in recent years, in response to tensions, disruptions or policy changes in your foreign markets?

- yes, we have adjusted our strategies;
- yes, we plan to adjust our strategies;
- no, we have not adjusted our strategies and don't plan to do so;
- not applicable, fully domestic business.

Firms that responded to this question with either "yes, we have adjusted our strategies" or "yes, we plan to adjust our strategies" were subsequently asked the following questions:

Q2. The adjustments are or will be of the following nature (*multiple answers possible*)?

- increasing stocks to serve as buffers in the face of unexpected disruptions;
- changing the countries from which you source inputs/goods or to which output is destined;
- relocation of production/operation back to your country (reshoring);
- relocation of production/operation to other countries (friendshoring).
- other.

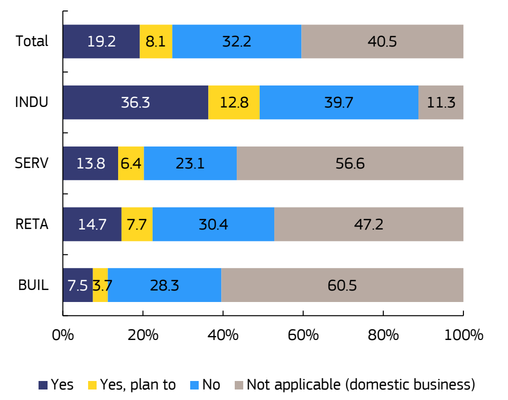
[35] The ad-hoc questions were optional for national partner institutes in the harmonised business and consumer surveys, and they could choose to include them in either the February or March survey, with the overall survey period running from early February to 21 March.

Q3. What is or would be the effect on your production costs or operational costs?
- an increase;
- no impact;
- a decrease.

Q4. What is or would be the effect on your final prices charged to consumers/customers?
- an increase;
- no impact;
- a decrease.

A large share of EU firms is exposed to foreign markets, most of them in the manufacturing sector. Roughly 40% of all enterprises identified themselves as fully domestic businesses (see Graph II.2.1). As to be expected, this share was lowest in manufacturing (11%), implying that this sector is most exposed to foreign markets and involved in global value chains. EU construction, services and retail trade all recorded a share of just below or above 50%. Of the 60% of firms with external trade ties, slightly more than half replied that they had not adjusted and were not planning to adjust in response to tensions, disruptions or policy changes in foreign markets. This left around 27% of firms either reporting to have already adjusted their strategies (19%) or planning to do so (8%). Again, industry stands out, as the majority of adjusting firms operate in this sector (55%), followed by services (20%) and retail trade (17%). Firms in the construction sector with international trade ties and adjusting are relatively few (8%).

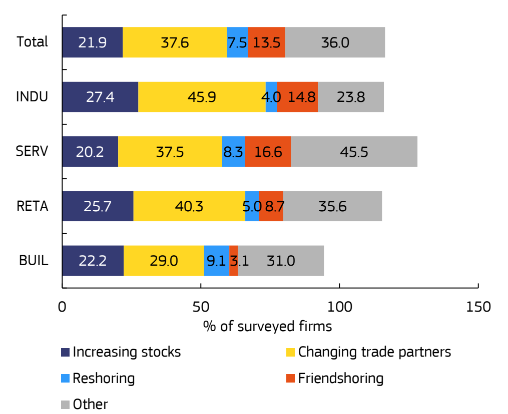
Graph II.2.1: **Intention to adjust strategy, by sector**



Changing trade partner was the most likely response to tensions, disruptions or policy changes in a firm's foreign markets. Among EU firms that adapted or planned to adapt their strategies, the measure most often cited is 'changing the countries from which we source inputs/goods or to which output is destined' (38%). In industry, this strategy was reported by almost 46% of firms.

Firms also raised their inventories, likely to improve resilience. For 22% of all adjusting firms, and 27% of adjusting firms in industry, the adaptations consisted of 'increasing stocks to serve as buffers in the face of unexpected disruptions'. In the post-pandemic period, keeping higher stocks may be more than just a temporary response to a specific disruption. There is growing evidence that firms are maintaining higher buffer stocks of critical inputs and finished goods to reduce exposure to single-source or foreign suppliers and to hedge against price volatility. This is observed especially in intermediate goods and capital goods sectors, semiconductors, and pharmaceuticals. Empirical studies also show a statistical link between trade policy uncertainty

Graph II.2.2: **The adjustments are or will be of the following nature, per sector**



and higher inventory holdings, especially in global value chain-intensive industries. [36]

"Other" adjustments were reported most prominently in the services sector. Across sectors, a relatively high share of firms (36%) reported "other" adjustments. Additional strategies identified in the literature include vertical integration, digitisation, and enhanced supply chain monitoring. The European Investment Bank's survey on supply chains provides evidence of these strategies. [37] Within sectors, nearly a quarter of manufacturing firms reported adopting alternative measures, while the services sector reported the highest share, at over 45%. This may relate to the sector's specific methods for adapting to changes in the trade environment, such as service modularisation and increased investment in compliance and risk monitoring to effectively navigate regulatory shifts

Among the firms considering to re-locate their production or operations, most consider relocating to another country rather than back to their country. Offshoring firms and multinational enterprises may also find it necessary or advantageous to relocate their production or operations to other countries or bring them back to their home country. Of the 21% firms that chose to relocate, a large majority — almost two thirds — considered relocating to other countries (friendshoring) rather than moving operations/production back to their country (reshoring)'. In industry, almost one fifth considered relocating their production hubs, of which four fifths preferring to move to another country rather than re-shoring. Moreover, a higher share of firms in services reported a preference for reshoring activities than in industry.

More firms expect incurred costs and prices charged to increase than to decrease. [38] Around 38% of the adjusting firms expect the changes in their trade strategies to lead to an increase in their production or operational costs, while 17% anticipate a decrease. The distribution of these responses is similar across the industry, services, and construction sectors, whereas nearly half of retailers expect an increase in operational costs. Regarding the effect on prices charged to customers or consumers, a majority of adjusting firms (57%) at total sector level expected prices not to change as a consequence of changing strategies, while close to a third expected prices to increase. Very few firms (4%) expected prices to decrease. A slightly smaller share of firms in industry expected prices to increase.

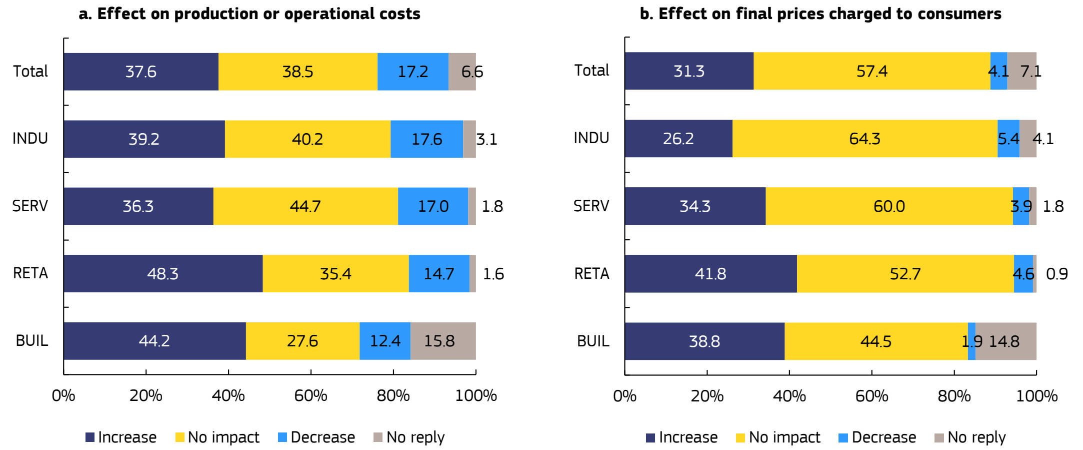
---

(36) See McKinsey & Company (2021) "Taking the pulse of shifting supply chains"; OECD (2024) "Promoting resilience and preparedness in supply chains; European Central Bank (ECB) Economic Bulletin, Issue 8, 2023; and International Monetary Fund (IMF) – World Economic Outlook, April 2023.

(37) The SUCH supply chain survey carried out by the European Investment Bank in cooperation with the European Commission (DG GROW) in 2023 singles out Investment in digital inventory and inputs tracking, which allow firms to track goods through the supply chain and delivery to their premises.

(38) Graph II.2.3 for question 3 excludes data for Italy. The response shares for question 3 and question 4 would otherwise not be directly comparable, as question 4 was optional to reduce the survey burden in some countries participating to the ad hoc survey. As such, question 4 was not asked in Italy, a sufficiently large country to make a difference when aggregating the results and drawing conclusions.

Graph II.2.3: **Effect on production and final prices**

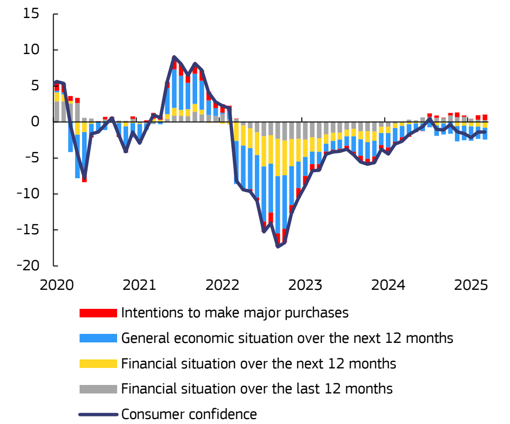


The results indicate that firms will not necessarily pass on higher costs to prices but increase profit margins if costs become lower because of changing strategies. More firms expect costs to increase (38%) than prices to increase (31%). This is true at sectoral level as well. Conversely, the share of firms expecting prices to decrease (4%) is lower than the share expecting costs to decrease (17%). In the absence of microdata allowing to match firms' replies to the two questions, these results can only be tentatively suggestive of some degree of profit squeeze when costs increase and pricing power by firms when costs decrease.

The impact of selected factors on consumers' views of the economy

Consumers' views on their country's economic situation are a key driver of consumer sentiment [39], particularly in economic downturns or times of economic uncertainty. The Commission's consumer survey enquires about consumers' assessments of the economic situation in their country – both in the 12 months preceding and following the survey. After collapsing in the aftermath of the pandemic shock and quickly rebounding thereafter, consumers' views on the general economic situation plummeted again in autumn 2022, as inflation peaked at two-digit levels. They have partially recovered since then but remain below their respective long-term averages and significantly lower than their pre-COVID-19 levels. Since summer 2024 they have been worsening again. As one of the four variables making up the Commission's consumer confidence indicator, consumers' expectations about their country's economic situation is the component contributing most to the changing moods of consumers since 2020 – and consistently dragging consumer confidence down since early 2022 (Graph II.2.4).

Graph II.2.4: **EU estimate (*) - Consumer confidence and component contributions (mean adjusted)**



(*) see footnote 39

(39) In this box, EU aggregates are calculated as population-weighted averages of the results for the 13 countries that carried out the ad-hoc question, namely Austria, Bulgaria, Cyprus, the Czech Republic, Germany, Finland, Croatia, Hungary, Italy, Latvia, Malta, Poland and Slovakia. In terms of population, these countries represent around 52% of the EU-wide aggregate.

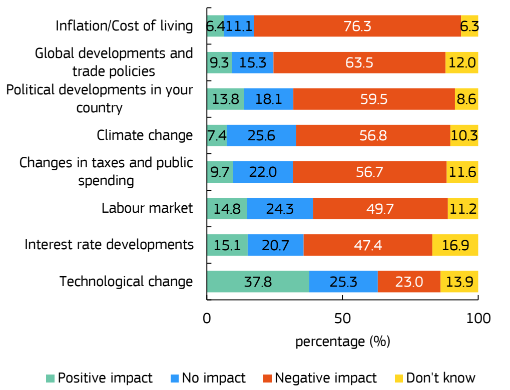
Table II.2.1: **Factors and examples provided to respondents.**

Factor	Examples
Labour market	Unemployment rate, job availability, job improvement
Inflation/Cost of living	Prices, purchasing power
Interest rate developments	Borrowing costs, return on investment
Changes in taxes and public spending	Taxation, public spending, in particular on social benefits and pensions
Political developments in your country	Important political initiatives, new legislation, changes in government
Global developments and trade policies	International conflicts, changes in foreign governments, trade policies
Technological change	New technologies and innovations (artificial intelligence, ...)
Climate change	Environmental issues and global warming

An ad hoc question in the European Commission's consumer survey explores the impact of selected factors on consumers' views on their country's economic situation. The question was formulated as follows: *"Over the past 12 months, how have the following factors influenced your views about the economy of your country?"*. Table II.2.1 displays the factors that were presented to consumers. For each factor, respondents could select one of four answer options: 'Positive impact', 'Negative impact', 'No impact', or 'Don't know'. To enhance clarity, examples were provided for each factor. Thirteen EU countries, accounting for 52% of the EU population, participated in the ad hoc survey. The results presented in this Special Topic (40) must be interpreted in the context of the increasingly complex and unpredictable economic and geopolitical landscape facing the EU economy. At the same time, falling inflation, a resilient labour market, and more favourable financing conditions for households and firms laid the foundation for a gradual recovery in consumption in the EU.

Most factors were assessed as negatively impacting the economy, with the cost of living remaining the most widespread concern (see Graph II.2.5). Although inflation in the EU in March 2025 was back to 2.4%, over three-quarters of respondents still reported inflation and the cost of living to negatively impact the economy of their country. This feature was shared across all participating countries and likely reflects the legacy of the recent inflationary surge, which significantly eroded the purchasing power of consumers and left prices for essential goods and services significantly higher. Other factors viewed negatively by most respondents and in most countries included *global developments and trade policies*, *domestic political developments*, *climate change* and public policy *(i.e. changes in taxes and public spending)*. (41)

Graph II.2.5: **EU estimate results**



Factors are ranked by share of 'negative impact' (weighted) views (from highest to lowest).

The results for the labour market and interest rate developments are more mixed across countries. In a context of resilient labour markets and easing, but still relatively high, interest rates, the picture is more mixed when examining how the *labour market* situation and

(40) More detailed results are available in [European Business Cycle Indicators: The impact of selected factors on consumers' views of the economy. 1st Quarter 2025](#).

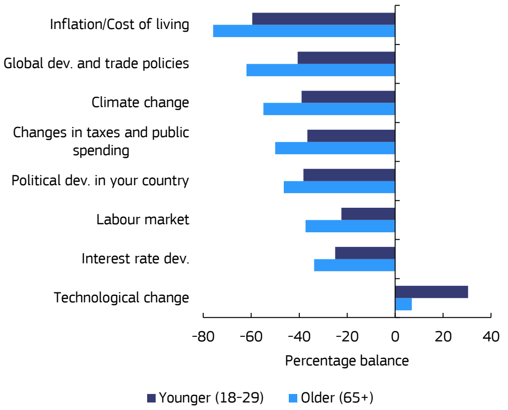
(41) In Germany, the ad hoc question was asked before Parliament approval of the plans for a significant spending surge on infrastructure and defence.

interest rate developments are reported to impact the economic situation. In six countries, the labour market was largely perceived as a negative factor for the economy, while interest rate developments were predominantly viewed negatively in five countries.

***Technological change* was the only factor for which positive views prevailed over negative ones.** As many as 37.8% of respondents reported technological change as a positive factor for the general economic situation, against less than a quarter viewing it negatively and another quarter considering they have no impact on their assessment.

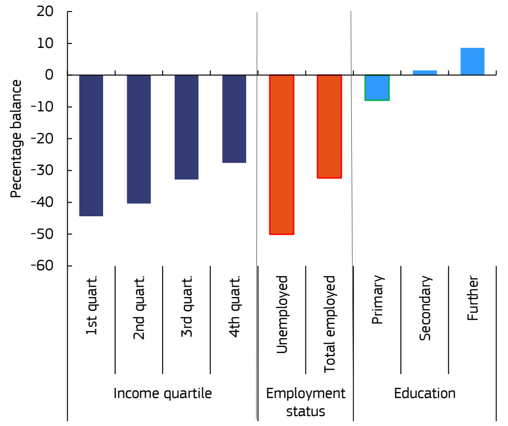
The age of interviewees significantly influenced their responses. Younger individuals (18-29 years) tend to be more optimistic, or less pessimistic, about the impact of all factors, and in particular *technological change*, *global developments*, and – perhaps unexpectedly - *climate change* (see Graph II.1.6). While a majority of both older and younger respondents considered inflation as an important negative factor, older respondents do so more often than younger ones.

Graph II.1.6: **Impact of the different factors by age group - percentage balance** [42]

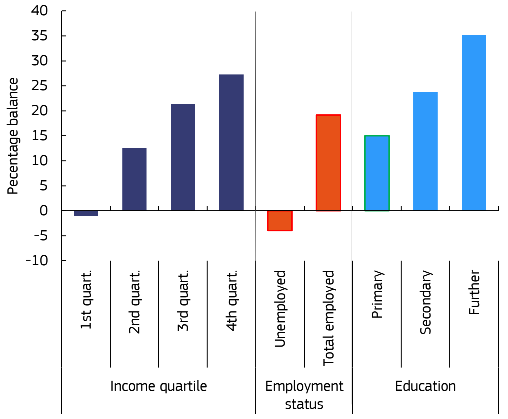


Other socio-demographic characteristics play a role. The unemployed, lower income groups and older individuals tend to refer to both *labour market* (see Graphs II.1.6 and II.1.7) and *interest rate developments* as negatively affecting their views on the overall economy, whereas people in employment, with higher incomes and/or higher education and young individuals are more likely to view these two factors as positive. Higher income and education groups, as well as employed individuals are also likely to view *technological changes* as having a (more) positive impact on the economy, whereas the lowest income groups and the unemployed view them dominantly negatively (see Graph II.1.8). Strikingly, concerns about *Inflation/cost of living* rank high in consumers' concerns across socio-demographic groups, i.e. across income quartiles, employment status groups and sex. Finally, respondents with lower income, lower education, and the unemployed tend to exhibit a higher share of 'don't know' responses.

Graph II.1.7: **Factor "labour market" - percentage balance** [42]



Graph II.1.8: **Factor "technological change" - percentage balance** [42]



(42) The percentage balance represents the difference between the percentage of respondents who believe a factor has a positive impact on their country's economy and the percentage who believe it has a negative impact.

3. THE ECONOMIC IMPACT OF HIGHER DEFENCE SPENDING

Increasing geopolitical tensions have brought to the fore the need to strengthen the EU's defence capabilities. The Readiness 2030 package, put forward by the European Commission in March, aims to support Europe's defence industry, deepen the single defence market and facilitate the stepping up of defence spending, inter alia through fiscal flexibility. The stylised simulations presented in this box, using the QUEST macroeconomic model, estimate the impact on economic activity and EU government debt of a linear increase in defence spending by up to 1.5% of GDP, starting this year and until 2028. The results of the main scenario show that real GDP would rise by 0.5% above the baseline by 2028, while the EU government debt-to-GDP ratio would be 2 pps. above the baseline by 2028. A higher share of spending devoted to R&D and infrastructure investment could generate more positive GDP effects in the longer term, while a higher import content of defence spending would reduce the overall economic stimulus. The macroeconomic effects will also depend significantly on factors that are not explicitly modelled, such as production capacity constraints as well as uncertain R&D spillovers. Importantly, the QUEST simulations - based on simplified assumptions and referring to the EU as a whole - are analytically distinct from the surveillance under the EU fiscal framework. [43]

A rapidly deteriorating strategic environment calls for a significant increase in EU defence spending. Russia's war of aggression in Ukraine and decades of underinvestment in defence have underscored the EU's vulnerability to external threats. This, together with the changing focus of traditional allies and partners, such as the US, to other regions of the world, has prompted a reassessment of the security risks faced by the EU. Additionally, rapid advancements in technologies for defence purposes and evolving warfare techniques, including through cyber and hybrid threats, require adaptation and modernisation of Europe's defence capabilities. In this context, to restore credible deterrence, the EU faces the imperative of increasing and potentially reorienting defence capabilities.

Defence spending in EU Member States

Defence spending in the EU as a whole used to be low in international comparison but has started to grow in recent years. Since the beginning of the 1990s, following the end of the Cold War, Europe has enjoyed a 'peace dividend' that allowed restraining expenditure on defence. Based on COFOG data [44], defence spending in the EU27 reached a trough of 1.1% of GDP in 2014, the year of Russia's illegal annexation of the Crimean Peninsula. In recent years, Europe has worked ever more closely within NATO to respond to security threats. Defence expenditure in the Union increased to 1.3% of GDP in 2023, and it is estimated to have risen further in 2024, especially in Member States closer to the Russian border (see Graph II.3.1 for trends in the EU and Graph II.3.2 for a cross-country comparison). Defence expenditure as reported by NATO (for the EU members of the Alliance), which is methodologically somewhat different from COFOG figures, reached the 2% of GDP NATO target in 2024, though important differences remain across Member

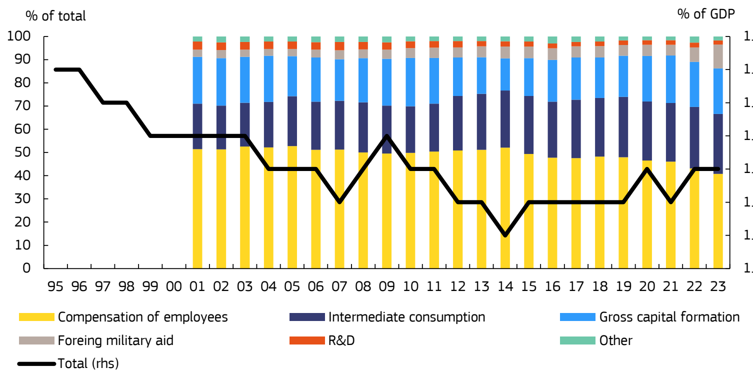
(43) The 1.5% of GDP maximum flexibility for additional defence spending broadly corresponds, at aggregate EU level, to the adjustment over 2025-2028 that is needed to comply with the requirements of the EU fiscal framework. Therefore, even after using the full flexibility allowed by the clause, the underlying EU fiscal position in 2028 would not be worse than in 2024. In any case, public debt ratios higher than 60% of GDP will have to be put on a steady downward trajectory in the medium term, with the use of the national escape clause only temporarily delaying the start of this decline in some Member States.

(44) Classification of Functions of Government (COFOG), published by Eurostat. These data are compatible with national accounts data and EDP reporting used in fiscal surveillance.

States. [45] From an international perspective, EU Member States on average still spend less on defence than the US (2.9% of GDP in 2023) or the UK (2.1% in 2022). [46]

Defence spending in the EU is geared towards current expenditure, mainly compensation of employees. According to COFOG data, compensation for military and civilian personnel represents a significant share of current expenditure on defence, especially in countries with larger standing armies (see Graphs II.3.1 and II.3.2). Intermediate consumption, including items such as fuel, spare parts, maintenance, utilities, and outsourced services, has been growing due to rising operational costs and increased reliance on private-sector contractors for logistical and support functions. Capital formation, which reflects long-term investment in military capabilities including military infrastructure, new equipment such as aircraft, warships and tanks, as well as ammunition and missiles inventories, accounts for a relatively small share of defence expenditure in the EU, despite an increase in recent years. In 2023 it amounted to 19.5% of defence expenditure in the EU, compared to 40.7% in the US. Public research and development (R&D) expenditure on defence decreased over time to just 0.02% of GDP in 2023, compared to 0.3% in the US. Foreign military aid has increased significantly in recent years, largely on the back of military support to Ukraine. In contrast, compensation of employees accounted for 38.5% of US defence expenditure in 2024 while capital formation amounted to 33.5%.

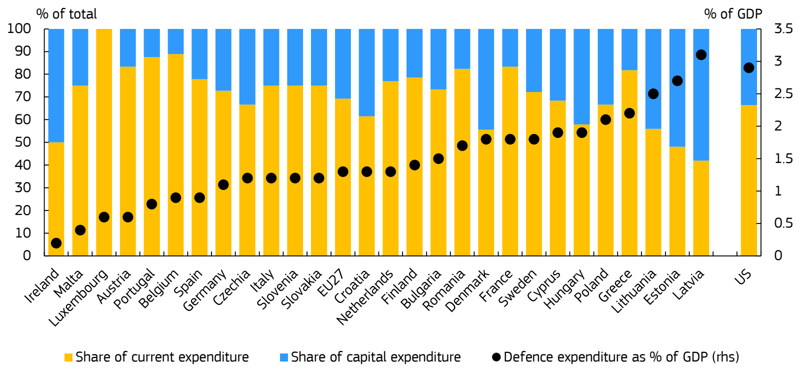
Graph II.3.1: **The evolution of EU defence expenditure and its composition**



(45) An important difference between COFOG and NATO figures is that downpayments for military equipment affect the NATO figures immediately, whereas in national accounts including COFOG the impact of the same equipment will materialise later, at the time of the delivery of this equipment. There are also some differences in scope between the NATO and COFOG definitions, but these are not expected to lead to systematic differences between the two aggregates. According to NATO, seven countries out of the 23 EU Member States that are also NATO members spent less than 2% on defence in 2024. See: NATO (2025): The Secretary-General's Annual Report 2024. North Atlantic Treaty Organisation (link).

(46) US figures are based on NIPA table 3.11.5 of the Bureau of Economic Analysis; the UK figure is based on IMF government finance statistics. These are based on the same methodology as the Eurostat figures for the EU.

Graph II.3.2: **EU defence expenditures by Member States in 2023**



Notes: Capital expenditure includes gross capital formation and capital transfers. Source: Eurostat, Bureau of Economic Analysis

The EU has a solid domestic production base of defence goods, but high fragmentation contributes to high import dependence. Although several globally competitive companies operate mostly in a few large Member States, the European defence industry is characterised by mainly national companies catering for domestic markets in relatively small volumes. Consequently, the EU's defence efforts remain fragmented, with over 170 different weapons systems in use compared to 30 in the US. (47) Low collaboration among European producers inhibits economies of scale, raising unit costs, hindering technological development and reinforcing the EU's dependence on imports from the US. The US is the EU's largest supplier of defence equipment, and its role has grown significantly in recent years. According to data by the Stockholm International Peace Research Institute (SIPRI), arms imports by European NATO members more than doubled from 2015–19 to 2020–24, and the share of imports from the US rose from 52% to 64%. The EU largely relies on the US for critical systems such as missile defence, aircraft engines, and drones, where European alternatives are often less technologically developed or uncompetitive. Without greater consolidation of its defence industry and procurement policies, the EU will struggle to reduce its dependence on external suppliers, limiting its strategic autonomy.

The Readiness 2030 Plan

The Readiness 2030 (48) package provides financial levers to increase defence capabilities in the European Union. To allow for a rapid ramp up in defence expenditure, the European Commission has invited Member States to request the activation of the national escape clause (49) of the Stability and Growth Pact in a coordinated way. By the cut-off date of the forecast, a majority of Member States has already decided so. (50) This flexibility would allow Member States to temporarily exceed the net expenditure paths set out by the Council to finance increased defence spending. To safeguard fiscal sustainability, the Commission has framed the timing and scope of the national escape clause: the flexibility for higher defence spending is capped at 1.5% of GDP compared to a base year and will be available for a period of four years (2025-2028). (51) The expenditure qualifying for the clause is defined on the basis of the statistical category 'defence' in COFOG. The plan also aims to help countries invest in defence through a EUR 150 bn loan instrument (Security Action for Europe, SAFE) (52) support to the EIB group in

(47) Source: Munich Security Report 2017 (link).
(48) See the Joint White Paper for European Defence Readiness 2030, JOIN(2025) 120 final (link).
(49) See Article 26 of Regulation - EU - 2024/1264 - EN - EUR-Lex.
(50) Belgium, Bulgaria, Denmark, Germany, Estonia, Greece, Latvia, Lithuania, Hungary, Poland, Portugal, Slovenia, Slovakia, and Finland. See the Council press release of 30 April 2025: https://www.consilium.europa.eu/en/press/press-releases/2025/04/30/coordinated-activation-of-the-national-escape-clause/
(51) See the communication "Accommodating increased defence expenditure within the Stability and Growth Pact", C(2025) 2000 final (link).
(52) See Commission's proposal for a Council Regulation establishing the Security Action for Europe (SAFE) through the reinforcement of European defence industry Instrument. COM(2025) 122 final (link).

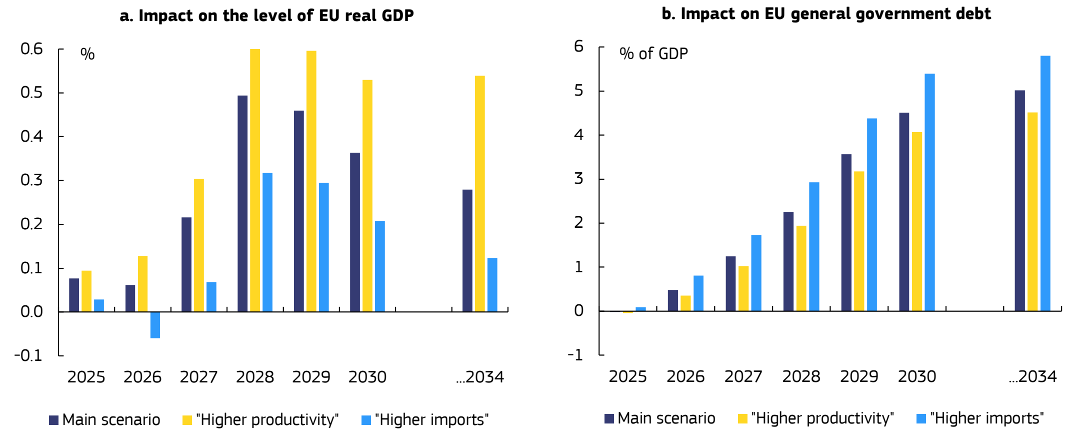
widening the scope of its lending to defence and security projects, and the acceleration of the Savings and Investment Union to mobilise private capital.

Potential fiscal and macroeconomic impact of higher defence spending

Simulating the impact of increased defence spending on growth and the general government debt through a macro model requires several assumptions. [53] In the QUEST simulations presented in this box, the following assumptions are made:

- The additional defence spending is assumed to increase linearly until 2028, reaching 1.5% of GDP. This additional spending is assumed to be fully debt-financed. Such gradual spending profile appears appropriate in view of the potential bottlenecks in ramping up the EU's defence capabilities. After 2028, the simulations are based on the technical assumption that defence spending remains above the baseline for decades to come [54], increasingly financed by a broad-based tax increase, while non-defence government expenditure remains constant as a share of GDP.
- Further, it is conservatively assumed that only 10% of defence spending contributes to productivity gains, broadly corresponding to the current share of infrastructure and R&D spending within overall defence budgets in the EU. An alternative scenario explores the effect of a higher share of productivity-enhancing spending.
- Lastly, the main scenario assumes an approximately 20% import content of the additional defence spending. [55] Another alternative scenario considers a higher import leakage of military spending, reducing the stimulus's impact on the EU economy.

Graph II.3.3: **The impact of higher defence spending on real GDP and general government debt in the EU**



Economic activity increases moderately in the short term as the shift towards defence spending crowds out private demand, while the EU debt-to-GDP ratio rises compared to the baseline. According to the simulation results, the level of EU GDP rises to a limited extent, by 0.3% to 0.6% above the baseline by 2028 (depending on the scenario, see Graph II.3.3). [56] EU

[53] We use a two-region variant of DG ECFIN's QUEST model, featuring the EU and the rest of the world. The model incorporates different fiscal policy instruments, including productive government investment, as well as forward-looking decisions and endogenous adjustments in interest rates and prices.

[54] Defence spending is modelled as a combination of current public expenditure and public investment. The latter enhances productivity for the private sector.

[55] The Draghi report cites "78% of procurement spending [in 2022-2023] was diverted to purchases from suppliers located outside the EU". Others question these figures, indicating that most military equipment spending is directed towards domestic producers, with imports accounting for less than 10% of total expenditure; see: Mejino-López, J. and Wolff, G. (2024). *What role do imports play in European defence?* Bruegel (link).

[56] The multiplier measures how much economic output increases for each unit of government spending. In the QUEST model, multipliers are not fixed parameters. They vary depending on the specific fiscal instruments used and a range of

public debt rises 2 pps. above the baseline in 2028, continues rising until 2032, and then gradually declines towards the baseline due to the tax increase starting in 2029. The muted effect on economic activity is due to the forward-looking behaviour of agents who anticipate higher future taxes in response to higher public debt, and to higher interest rates as increased spending drives up prices in the short term while higher debt also raises risk premia. The level of real GDP remains above baseline in the medium run (0.3% in 2034 in the main scenario). At the same time, the central bank's response and the associated slowdown of private demand limits inflationary pressures (inflation remains around 0.2 pps. above baseline on average until 2028).

In the medium to long term, higher R&D spending and infrastructure investment could further boost the positive impact of defence spending on EU GDP. The "higher productivity" scenario, which assumes a 20% share of capital spending in total defence expenditure with higher benefits to private sector productivity, raises the medium-term GDP level by an additional 0.2 pps. (57) By contrast, a higher import content of defence spending reduces the overall economic stimulus in the EU.

These stylised simulations focus on selected channels under simplified assumptions and are not intended to serve as a debt sustainability analysis. Three caveats are noteworthy. First, production capacity constraints and labour supply shortages can limit the ability to rapidly scale up defence spending (Antonova et al., 2025). (58) (59) Without sufficient capacity, short-term demand increases may drive up prices rather than GDP. While the assumed gradual increase in defence spending is intended to allow for a slow adjustment to frictions, the simulations do not include more specific assumptions on labour supply constraints and product market frictions. Second, the scenarios presented here do not include any productivity spillovers beyond the regular productivity impact from public capital spending. However, the literature suggests that in the longer term, defence R&D spending can also spur private R&D, leading to small but statistically significant productivity gains (Moretti et al., 2025). This is consistent with findings of a positive long-run effect of defence R&D spending on GDP in the US (Antolin-Diaz and Surico, 2024). (60) Such benefits could accrue mostly in Member States producing advanced military equipment. As a final caveat, these stylised EU-wide simulations are separate from and do not pre-empt the formal, country-specific assessments of fiscal sustainability, which will follow the activation of the national escape clause.

The estimated impact on economic activity is within the broad range reported by the literature. For a comprehensive literature review, see e.g. Ilzetzki (2025). (61) The available studies aligning with the Keynesian view argue that military expenditure stimulates aggregate demand, creating jobs and driving investment, particularly during economic downturns. For example, Barro (1990) suggests that in the short term, defence spending acts as a fiscal stimulus through the multiplier effect. In contrast, the neoclassical approach highlights long-term crowding-out effects as higher military expenditure can reduce private investment and increase fiscal deficits

---

other factors, such as the economic environment, the timing of the measures. Typically, for the EU as a whole, the multiplier for a short-lived government spending program is around 0.7-0.8, which aligns well with the literature, see e.g. Coenen, G. et al. (2012). Effects of fiscal stimulus in structural models. *American Economic Journal: Macroeconomics* 4(1): 22-68. However, a longer spending program, as considered here, raises the need for future financing, which dampens the growth effects, in addition to import leakages. Moreover, the demand effects only materialise gradually in line with the assumed slow increase in defence spending. Consequently, under these assumptions, the model indicates smaller multipliers.

(57) Antolin-Diaz J. and Surico P. (2024). The Long-Run Effects of Government Spending. *American Economic Review* (forthcoming). The authors estimate that an increasing share of government spending going to R&D is associated with persistent increase in output and TFP.

(58) Antonova, A., Luetticke, R., and Müller, G. J. (2025). The Military Multiplier. Mimeo (link)

(59) While the production of military equipment is capital intensive, an increase in military personnel can raise labour demand more substantially, especially among younger cohorts.

(60) Moretti, E., Steinwender, C., and Van Reenen, J. (2025). The Intellectual Spoils of War? Defense R&D, Productivity and International Spillovers. *Review of Economics and Statistics* 107: 14-27. Antolin-Diaz, J. and Surico, P. (2024). The Long-Run Effects of Government Spending. *American Economic Review* (forthcoming).

(61) Ilzetzki, E. (2025). Guns and growth: The economic consequences of defense buildups. Kiel Report No. 2, Kiel Institute for the World Economy (IfW Kiel).

(Deger and Smith, 1983; Barro and Sala-i-Martin, 1992). [62] Empirical findings on the multiplier effect are mixed. Some papers report a positive correlation between defence spending and economic growth particularly in the US (Atesoglu and Mueller, 1990; Ando, 2018), while others find negligible or negative effects, especially in Europe (Dunne and Nikolaidou, 2012; Kollias and Paleologou, 2016). [63] Cross-country studies yield inconclusive results, suggesting that the impact varies by context, spending levels, and time horizon (Landau, 1996; Hou and Chen, 2014; Gómez-Trueba Santamaria et al., 2021). [64]

Defence spending in the Spring 2025 Forecast

While the simulations present the *potential* effects of higher defence expenditure, the forecast only includes so far credibly announced and sufficiently detailed measures. The Commission's forecasts assume a continuation of existing budgetary policies, which is commonly referred to as the no-policy-change assumption. This means that the forecast does not make assumptions on policy choices still to be taken. Only those measures that have been credibly announced and sufficiently detailed by the cut-off date of the forecast (30 April) are taken into account. On this basis, the level of defence spending in the EU is estimated to have increased from 1.3% of GDP in 2023 to 1.5% in 2024 and is expected to reach 1.6% in both 2025 and 2026. These projections could be revised in coming forecast rounds to reflect additional decisions on defence spending.

Higher defence spending may result in a less contractionary fiscal stance in the EU until 2028 despite the planned fiscal adjustments. The Commission Spring 2025 Forecast projects a broadly neutral fiscal stance in the EU in 2025. Without the additional defence expenditure already included in the forecast (around 0.1% of GDP), the EU fiscal stance projected for 2025 would have been slightly contractionary. Similarly, the slightly contractionary EU fiscal stance implied for 2026-2028 by the consistent implementation of the medium-term fiscal-structural plans could also be offset by the use of the flexibility allowed by the activation of the national escape clause for higher defence spending. According to the Commission's communication [65], after the end of this flexibility Member States would have to sustain the higher defence spending level through gradual re-prioritisations within their national budgets, to safeguard fiscal sustainability.

[62] Barro, R. (1990). Government Spending in a Simple Model of Endogenous Growth. *Journal of Political Economy* 98 (5): 102-26. Deger and Smith (1983). Military Expenditure and Growth in Less Developed Countries. *Journal of Conflict Resolution* 27: 335-353. Barro, R. J. and Sala-i-Martin, X. (1992). Public Finance in Models of Economic Growth. *Review of Economic Studies* 59: 645-661.

[63] Atesoglu, H. S. and Mueller, M. J. (1990). Defence spending and economic growth. *Defence Economics* 2: 19-27. Ando, J. (2018). Externality of Defense Expenditure in the United States: A New Analytical Technique to Overcome Multicollinearity. *Defence and Peace Economics* 29: 794-808. Dunne, P. and Nikolaidou, E. (2012). Defence Spending and Economic Growth in the EU15. *Defence and Peace Economics* 23: 537-548. Kollias, C. and Paleologou, S. M. (2016). Investment, growth and defense expenditure in the EU15: Revisiting the nexus using SIPRI's new consistent dataset. *The Economics of Peace and Security Journal* 11: 28-37.

[64] Landau (1996). Is one of the 'peace dividends' negative? Military expenditure and economic growth in the wealthy OECD countries. *The Quarterly Review of Economics and Finance* 36(2): 183-195. Hou and Chen (2014). Military Expenditure and Investment in OECD Countries: Revisited. *Peace Economics, Peace Science and Public Policy* 20(4): 621-630. Gómez-Trueba Santamaria, P., Arahuetes Garcia, A. and Curto González, T. (2021). A tale of five stories: Defence spending and economic growth in NATO´s countries. *PLoS ONE* 16(1): e0245260. (link).

[65] "Accommodating increased defence expenditure within the Stability and Growth Pact", C(2025) 2000 final (link).

PART III

Prospects by individual economy

Euro Area Member States

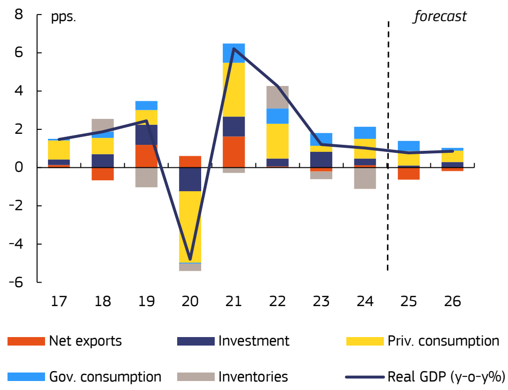
1. BELGIUM

Economic activity in Belgium is expected to slow down to 0.8% in 2025, mainly due to high global uncertainty and decreased exports. It is projected to increase slightly to 0.9% in 2026, supported by improving external demand. Inflation is forecast to decrease to 2.8% in 2025 and 1.8% in 2026, driven by lower price pressures for industrial goods and energy. The government deficit is projected to increase over the forecast horizon due to rising expenditure, mainly on ageing related costs, defence and interest payments. Therefore, the government debt is also expected to continue its increasing path.

Economic activity is set to slow down this year

The Belgian economy grew by 1% in 2024, mainly supported by strong private consumption despite weakened purchasing power. Investment increased only moderately, and while both exports and imports declined, net export had a slightly positive contribution to growth. GDP growth remained robust at 0.4% q-o-q in the first quarter of 2025.

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



Domestic demand is expected to slow down in 2025, with a further moderation anticipated in 2026. Decelerating employment growth and declining consumer sentiment are projected to weigh on private consumption. Consequently, the saving rate is forecast to decrease only moderately to around 12.6% of disposable income in 2026. Investment is set to increase by 0.5% in 2025 and 1.2% 2026, respectively. While construction is set to expand, uncertainties in the external environment are expected to hold equipment investment back. The introduction of US tariffs is projected to adversely affect Belgian exports, the US being Belgium's fourth largest export market, especially in the pharmaceuticals sector (exempted from tariffs so far), machinery and equipment, and transport-related sectors. Imports are set to decrease less than exports, resulting in a negative contribution of exports to growth in 2025. Following a contraction in 2025 exports and imports are expected to rebound in 2026, driven by the expected mild improvement of the external environment.

Overall, the economic activity is forecast to grow by 0.8% in 2025, followed by a mild recovery of 0.9% in 2026.

Unemployment set to increase this year

Employment growth eased to 0.3% in 2024, mainly due to a further decline of employment in the industrial sector. Although it is set to remain modest over the forecast horizon, a pick-up is projected in 2026, notably driven by the reform of the unemployment benefit system. The unemployment rate is set to rise to 6.1% in 2025, alongside the slowdown of economic activity, before decreasing in 2026. Labour market participation is forecast to increase due to the rise of the statutory retirement age. Wage growth is set to ease gradually, following the decrease in inflation.

Gradual decrease of inflation

Headline inflation is projected to decline from 4.3% in 2024 to 2.8% in 2025. Goods inflation is set to significantly slow down, supported by decreasing energy commodity prices and low imported inflation. However, services inflation is projected to remain more elevated in 2025, notably driven by the increase in service vouchers and public transport prices. Inflationary pressures are projected to ease further to 1.8% in 2026, with all the components registering a slower growth in prices.

Government debt to trend up on the back of high deficits

In 2024, the government budget deficit increased to 4.5% of GDP. Although the budget benefited from the phase-out of the support measures related to the energy crisis (0.4% of GDP), high ageing-related costs, interest payments and gross fixed capital formation pushed up the deficit.

In 2025, the deficit is forecast to increase to 5.4% of GDP. The further widening of the deficit is due to expenditure growth, as revenue remains stable at around 50% of GDP. Primary expenditure is projected to increase more than GDP, driven by ageing-related costs (+0.5% of GDP) and defence (+0.4% of GDP). In addition, interest expenditure is forecast to increase further due to higher debt and refinancing rates (0.1% of GDP). On the revenue side, taxes on income and wealth are expected to increase (+0.2% of GDP), while taxes on production and imports are projected slightly lower (-0.1% of GDP). The latter is mainly driven by measures adopted at the regional government level.

In 2026, the deficit is set to continue its upward trend, reaching 5.5% of GDP. This is mainly driven by higher interest expenditure (+0.2% of GDP) and contributions to the EU budget (+0.2% of GDP), while the new government measures for the labour market, pensions and taxation are estimated to have a positive impact on public finances. Revenue as a percentage of GDP is projected to remain stable also in 2026.

General government gross debt stood at 104.7% of GDP at the end of 2024. It is projected to increase over the forecast period, reaching 107.1% of GDP in 2025 and 109.8% in 2026. The persistence of high general government deficits explains this upward trend.

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

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		614.0	100.0	1.1	6.2	4.3	1.2	**1.0**	**0.8**	**0.9**
Private Consumption		318.7	51.9	1.1	5.6	3.6	0.6	**2.0**	**1.5**	**1.1**
Public Consumption		147.8	24.1	0.9	4.2	3.4	2.9	**2.6**	**2.2**	**0.6**
Gross fixed capital formation		149.8	24.4	1.8	4.3	1.7	3.5	**1.4**	**0.5**	**1.2**
Exports (goods and services)		486.4	79.2	2.4	14.7	5.8	-7.1	**-3.4**	**-1.8**	**1.9**
Imports (goods and services)		486.5	79.2	2.7	12.8	5.8	-6.8	**-3.5**	**-1.0**	**2.1**
GNI (GDP deflator)		620.7	101.1	1.1	6.6	4.2	1.4	**0.8**	**0.4**	**0.5**
Contribution to GDP growth:	Domestic demand			1.2	4.9	3.0	1.8	**2.0**	**1.4**	**1.0**
	Inventories			0.0	-0.3	1.2	-0.4	**-1.1**	**0.0**	**0.0**
	Net exports			-0.1	1.6	0.1	-0.2	**0.1**	**-0.6**	**-0.2**
Employment				0.9	1.7	1.9	0.8	**0.3**	**0.3**	**0.5**
Unemployment rate (a)				7.6	6.3	5.6	5.5	**5.7**	**6.1**	**5.8**
Compensation of employees / head				1.9	4.9	7.5	8.0	**2.9**	**3.6**	**2.2**
Unit labour costs whole economy				1.7	0.5	5.1	7.5	**2.2**	**3.2**	**1.9**
Saving rate of households (b)				14.5	16.6	12.7	14.1	**13.5**	**13.0**	**12.6**
GDP deflator				1.7	2.7	6.8	4.5	**1.9**	**2.8**	**2.1**
Harmonised index of consumer prices				1.9	3.2	10.3	2.3	**4.3**	**2.8**	**1.8**
Terms of trade goods				-0.1	-1.7	-5.0	1.0	**0.5**	**1.1**	**0.3**
Trade balance (goods) (c)				0.3	2.1	-0.2	0.5	**1.3**	**1.4**	**1.5**
Current-account balance (c)				1.3	1.9	-1.3	-0.6	**-0.2**	**-0.7**	**-1.0**
General government balance (c)				-2.9	-5.4	-3.6	-4.1	**-4.5**	**-5.4**	**-5.5**
Fiscal stance (c)				0.2	0.2	-1.3	-0.4	**-0.4**	**-0.4**	**0.3**
Structural budget balance (d)				-2.7	-4.6	-4.4	-4.1	**-4.2**	**-4.8**	**-4.7**
General government gross debt (c)				100.5	108.5	102.7	103.2	**104.7**	**107.1**	**109.8**

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

2. GERMANY

After slightly contracting for two years in a row, economic activity is expected to broadly stagnate in 2025. Trade tensions are set to significantly weigh on exports, though private consumption is projected to expand slightly in 2025, boosted by increases in purchasing power and lower interest rates. Investment is expected to stagnate this year, inhibited by tighter financing conditions and weaker economic sentiment – both related to the elevated uncertainty. In 2026, growth is projected to rebound to 1.1%, as domestic demand strengthens, driven by continued consumption growth and a gradual recovery in investment. The government deficit is set to remain elevated, and the government debt ratio is expected to increase to 64.7% of GDP in 2026.

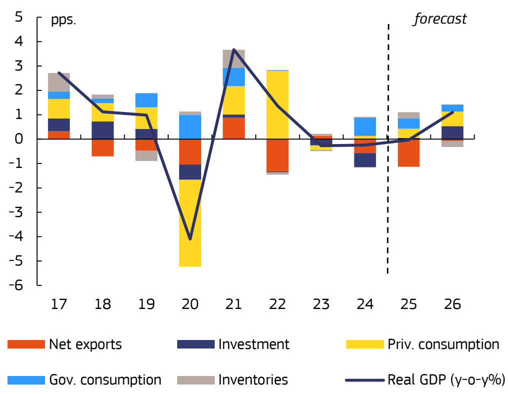
Economic activity gradually picking up in 2026

As the new government's policy intentions to boost infrastructure and defence spending have yet to be detailed, they are not included in this forecast. However, their positive effects of on sentiment indicators are taken into account.

The German economy continued to face headwinds throughout 2024. Real GDP contracted by 0.2%, following a decline of 0.3% in 2023. In the second half of 2024, exports decreased by 1.7%, compared to the same period a year before. This reflects strong losses in export market shares, especially to China, but also the US. High uncertainty and tight financing conditions weighed on equipment investment. Private consumption was of limited support to economic growth, as consumer sentiment remained low, and households' saving rate increased.

In 2025 and 2026, tariffs and increasing global uncertainty are set to exert a drag on consumption, investment, and exports. Positive effects of the new government's plan to boost infrastructure and defence spending were visible in a turnaround of corporate confidence – partly offsetting the adverse and uncertain external environment.

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



Lower inflation is set to support real household incomes and underpin a moderate increase in consumption in 2025 and 2026. Strong public investment growth and the expectation of looser fiscal policy are projected to support a gradual recovery in corporates' equipment investment. Residential construction activity is expected to bottom out in 2025 and start picking up, as shown by the slightly increasing building permits and orders, as well as rising mortgage lending. In addition, public investment growth drives a turnaround of non-residential construction already this year. Exports, however, are set to keep weighing on growth for the third consecutive year. Tariffs and elevated uncertainty add to the structural decline in leading export industries, and the US market will no longer provide a partial buffer against rapidly shrinking exports towards China.

In this context, the strong increase in exports in early 2025 likely reflects a short-lived frontloading of imports, ahead of the implementation of announced tariffs. Overall, exports are projected to contract by 1.9% this year and recover only partially in 2026. The current account surplus is forecast to fall to 5.1% in 2025 and 2026, as adverse developments in exports are partly compensated by cheaper imports.

Overall, real GDP is set to stagnate in 2025 and return to growth, at 1.1%, in 2026.

Economic stagnation leaves its mark on the labour market

As output contracted, employment growth has been decelerating since 2022, with declining employment in manufacturing largely offset by job growth in public services, education, and the health sector. Although the labour market eased slightly, 28% of companies still reported labour shortages in early 2025. The labour market is set to remain tight, as in a context of a rapidly aging population, a mild contraction in employment is offset by stagnating – in 2025 – and then decreasing – in 2026 – labour force. After increasing to 3.6% in 2025, the unemployment rate is set to fall back to 3.3% in 2026, as employment growth picks up again. As inflation decelerates more than nominal wage growth, real wages are set to continue to increase in the short term.

Inflation continues to abate

After subsiding to 2.5% in 2024, HICP inflation is projected to decelerate further to 2.4% in 2025 and 1.9% in 2026. Strong declines on energy wholesale markets in early 2025 herald a deflationary impact of retail energy prices over the forecast horizon. At the same time, wage negotiations are still bound to be driven by past inflation and influence overall wage growth. This is set to lead to some persistency in service inflation.

Public finances strained

In 2025, the general government deficit is projected to decrease slightly to 2.7% of GDP, from 2.8% in 2024. Strong wage growth and increases in the social contribution rates for healthcare and long-term care are set to boost income tax revenues and social contributions. Revenues are set to grow at a similar pace as in 2024. Expenditure growth is expected to slow down compared to 2024, but demographic ageing will likely keep social expenditures structurally elevated.

In 2026, the government deficit is projected to increase again to 2.9% of GDP, as revenue growth slows down on the back of decelerating wage dynamics and expenditure growth remains stable. Overall, the fiscal stance is set to turn slightly contractionary in 2025 and slightly expansionary in 2026. Government debt stood at 62.5% of GDP at the end of 2024 and is expected to increase to 63.8% in 2025 and 64.7% in 2026.

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

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		4305.3	100.0	1.1	3.7	1.4	-0.3	**-0.2**	**0.0**	**1.1**
Private Consumption		2271.8	52.8	0.5	2.3	5.6	-0.4	**0.3**	**0.7**	**1.1**
Public Consumption		961.3	22.3	2.2	3.4	0.1	-0.1	**3.5**	**1.9**	**1.3**
Gross fixed capital formation		898.0	20.9	1.8	0.6	-0.2	-1.2	**-2.7**	**0.2**	**2.6**
Exports (goods and services)		1812.5	42.1	2.8	10.0	3.1	-0.3	**-1.1**	**-1.9**	**1.1**
Imports (goods and services)		1646.5	38.2	3.1	9.0	7.0	-0.6	**0.2**	**0.9**	**1.5**
GNI (GDP deflator)		4459.0	103.6	1.2	4.5	1.6	-0.4	**-0.2**	**0.0**	**1.1**
Contribution to GDP growth:	Domestic demand			1.1	2.1	2.8	-0.5	**0.3**	**0.9**	**1.4**
	Inventories			0.0	0.7	-0.1	0.1	**0.0**	**0.2**	**-0.2**
	Net exports			0.1	0.9	-1.3	0.1	**-0.6**	**-1.1**	**-0.1**
Employment				0.8	0.2	1.4	0.7	**0.2**	**-0.2**	**0.2**
Unemployment rate (a)				5.7	3.7	3.2	3.1	**3.4**	**3.6**	**3.3**
Compensation of employees / head				2.1	3.2	4.3	5.8	**5.2**	**3.4**	**2.9**
Unit labour costs whole economy				1.8	-0.3	4.3	6.9	**5.7**	**3.3**	**2.0**
Saving rate of households (b)				17.4	21.9	18.9	19.3	**20.1**	**20.0**	**19.9**
GDP deflator				1.4	2.8	6.1	6.1	**3.1**	**2.4**	**2.2**
Harmonised index of consumer prices				1.5	3.2	8.7	6.0	**2.5**	**2.4**	**1.9**
Terms of trade goods				0.3	-3.9	-4.7	5.2	**1.7**	**2.5**	**1.2**
Trade balance (goods) (c)				6.7	5.1	3.4	5.6	**5.7**	**5.3**	**5.3**
Current-account balance (c)				6.8	7.0	4.6	6.2	**6.1**	**5.3**	**5.3**
General government balance (c)				-0.7	-3.2	-2.1	-2.5	**-2.8**	**-2.7**	**-2.9**
Fiscal stance (c)				-0.8	0.7	-2.3	0.3	**0.0**	**0.4**	**-0.2**
Structural budget balance (d)				0.5	-2.8	-2.1	-2.1	**-2.1**	**-1.8**	**-2.4**
General government gross debt (c)				69.8	68.1	65.0	62.9	**62.5**	**63.8**	**64.7**

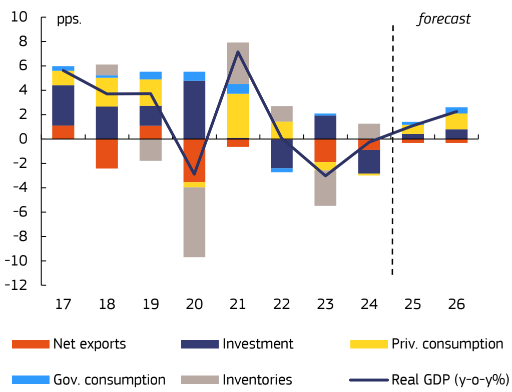
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

3. ESTONIA

The Estonian economy is set to resume growing in 2025, albeit weakly amid very high global uncertainty and tax increases. Private consumption is projected to recover slowly. Uncertainty is set to heavily weigh on private investment, while public investment is expected to increase. Exports and imports are projected to contract due to the tariffs and their impact on global growth. After growing by 1.1% in 2025, real GDP is expected to expand by 2.3% in 2026. HICP inflation is projected at 3.8% in 2025 amid persistent services inflation and tax hikes, and at 2.3% in 2026. The government deficit is expected at 1.4% of GDP in 2025 before increasing to 2.4% in 2026, and the debt-to-GDP ratio is set to reach 23.8% of GDP in 2025 and 25.4% in 2026.

Growth to remain weak because of global uncertainty

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



Estonia's real GDP contracted by 0.3% in 2024. In quarterly terms, economic activity expanded in all last three quarters, with real GDP growth in the fourth quarter being the strongest, at 0.7%, when both consumption and exports of goods rebounded. Consumption was likely driven by anticipated purchases ahead of higher taxes coming into force in 2025.

Despite higher tax rates, business and consumer sentiment improved in the first few months of 2025. Increasing real disposable incomes and lower borrowing rates, which reduce the interest burden quickly due to the prevalent use of loans at variable interest rates, supported consumption and investment. However, the sharp rise in global uncertainty following the announcements of US tariffs is set to weaken growth prospects, slowing private consumption growth until the impact on the economy and jobs becomes clear. Investment, which in recent years was weak due to low capacity utilisation, is set to take a further hit due to uncertainty, as private projects are likely to be postponed or cancelled. A partially offsetting factor is an expected increase in public investment, as some large projects, such as the Rail Baltic, are implemented, and defence investments are expected to take place.

Exports are set to weaken. While direct exposure of the Estonian exports to the US is not very large, the hit on Estonian exports is also expected to come from a decline in growth of the trading partners – particularly the Nordic countries and Germany. As a result of these factors, Estonian real GDP is projected to grow by 1.1% in 2025. With real income growing in 2026 and uncertainty subsiding, real GDP is expected to increase by 2.3% in 2026.

Labour market remains stable

The labour market remained relatively stable, with a very high participation rate, and the unemployment rate in early 2025 standing at 7.7%. As labour hoarding was observed in the past years, employment is not expected to pick up despite economy turning to growth. The unemployment rate is projected at 7.5% in both 2025 and in 2026.

Inflation remains high due to tax hikes

HICP inflation increased in early 2025 as VAT and other taxes were increased. It stood at 4.4% in the first quarter 2025, driven by services (where the new car registration tax was recorded), followed by processed food inflation. Going forward, inflation is expected to slow down as energy prices are declining and others are expected to moderate. However, further tax hikes in the middle of the year are likely to keep inflation up. Overall inflation is forecast at 3.8% in 2025 and to decelerate to 2.3% in 2026, as the impact of tax measures gradually dissipates and global food, energy and non-energy industrial good price pressures weaken.

Public deficit to remain stable in 2025 and increase in 2026

In 2024 the general government deficit stood at 1.5% of GDP (down from 3.1% in 2023). Revenue growth was supported by increases in the value added tax and environmental taxes' rates, labour taxation collection due to fast wage growth, and receipts of value added and corporate income taxes due to purchases of motor vehicles and distribution of profits anticipating future tax increases. On the expenditure side, the planned increases in defence expenditure, social benefits and operating expenses of local governments were not fully implemented.

In 2025, the deficit is expected at 1.4% of GDP, mainly on the back of increases in revenue. These are projected to come mainly from increased tax rates, namely on personal and corporate income (both by 2 pps. to 22%), income for credit institutions (by 4 pps to 18%), value added (of 2 pps to 24%), and from the introduction of a motor vehicle tax. The recovery of the economy is also set to improve the intake of these taxes. On the expenditure side, strong increases are expected in gross fixed capital formation for defence.

In 2026 the deficit is forecast to increase to 2.4% of GDP. The net effect of additional increases in the personal and corporate income tax rates (both by 2 pps to 24%), together with additional excise duties on alcohol, tobacco and energy products, are likely to be mostly offset by the impact of the increase in the personal income tax-free threshold, accounting for 1.5% of GDP. The outlook for 2026 is rather uncertain following policy announcements by the new government coalition at the beginning of the year, including the intention not to introduce the planned corporate income tax rate increase and to introduce a minimum exemption to the personal income tax rate increase of EUR 700 per month. These announcements have not been incorporated in the forecast, as coalition negotiations are still ongoing.

Public debt is projected to increase over the forecast horizon, from 23.6% of GDP in 2024 to 25.4% in 2026, This represents an improvement with respect to previous forecasts, due to the easing of public deficit.

Table III.3.1: **Main features of country forecast - ESTONIA**

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		39.5	100.0	2.4	7.2	0.1	-3.0	**-0.3**	**1.1**	**2.3**
Private Consumption		21.1	53.4	2.8	7.1	2.9	-1.3	**-0.3**	**1.4**	**2.4**
Public Consumption		8.3	20.9	2.5	3.9	-1.5	0.9	**0.3**	**1.2**	**2.5**
Gross fixed capital formation		10.3	26.1	4.4	0.3	-8.1	7.5	**-6.9**	**1.6**	**3.1**
Exports (goods and services)		30.1	76.3	5.3	22.1	5.0	-9.0	**-1.1**	**2.2**	**2.4**
Imports (goods and services)		29.9	75.7	5.1	22.7	5.0	-6.7	**0.0**	**2.6**	**2.9**
GNI (GDP deflator)		38.3	96.9	2.6	6.3	-0.1	-3.8	**-0.2**	**1.1**	**2.3**
Contribution to GDP growth:	Domestic demand			3.4	4.5	-1.2	1.4	**-2.0**	**1.4**	**2.6**
	Inventories			-0.5	3.4	1.3	-2.9	**1.2**	**0.0**	**0.0**
	Net exports			-0.1	-0.7	-0.1	-1.9	**-0.9**	**-0.3**	**-0.3**
Employment				0.4	0.1	4.6	3.2	**0.2**	**-0.1**	**0.2**
Unemployment rate (a)				8.0	6.2	5.6	6.4	**7.6**	**7.6**	**7.3**
Compensation of employees / head				7.3	9.3	8.2	8.2	**5.6**	**4.5**	**4.0**
Unit labour costs whole economy				5.2	2.1	13.1	15.1	**6.1**	**3.3**	**1.9**
Saving rate of households (b)				7.2	8.6	2.8	3.1	**3.8**	**3.3**	**5.2**
GDP deflator				4.3	5.4	15.8	8.1	**3.7**	**3.9**	**2.6**
Harmonised index of consumer prices				3.2	4.5	19.4	9.1	**3.7**	**3.8**	**2.3**
Terms of trade goods				0.2	0.6	-0.1	4.2	**0.6**	**0.0**	**0.5**
Trade balance (goods) (c)				-6.8	-4.3	-7.8	-6.0	**-6.9**	**-6.7**	**-6.4**
Current-account balance (c)				-2.4	-3.6	-3.9	-1.7	**-2.0**	**-2.1**	**-2.0**
General government balance (c)				-0.3	-2.6	-1.1	-3.1	**-1.5**	**-1.4**	**-2.4**
Fiscal stance (c)				-1.1	1.8	0.5	-1.8	**1.8**	**1.0**	**-0.5**
Structural budget balance (d)				-1.1	-4.0	-1.3	-1.2	**0.6**	**0.3**	**-1.7**
General government gross debt (c)				8.9	18.4	19.1	20.2	**23.6**	**23.8**	**25.4**

(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.

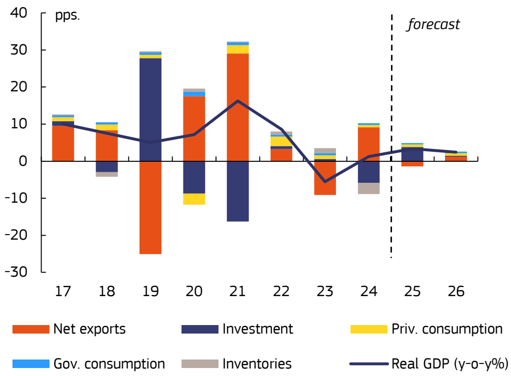
4. IRELAND

Ireland's GDP is forecast to grow by 3.4% in 2025 and 2.5% in 2026 supported by a strong labour market. However, the high uncertainty and deterioration in global trading conditions are expected to detract from growth. Moreover, Ireland's deep economic ties to the US pose notable downward risks in the context of rising protectionism. The general government balance is forecast to remain in surplus, though significant risks arise from the uncertain outlook for corporate tax revenues.

Continued growth amid elevated external risks

The Irish economy entered 2025 in a strong position. Real GDP rose by 1.2% in 2024, driven by a rebound in exports, while modified domestic demand – which better reflects domestic economic activity in Ireland – grew by 2.7% in 2024, supported by a robust labour market and easing inflation. Preliminary GDP estimates indicate robust growth of 3.2% q-o-q in the first quarter of 2025, likely fuelled by multinationals accelerating exports ahead of potential tariffs.

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



Steady employment and real wage growth are set to underpin private consumption over the forecast period. However, elevated uncertainty is expected to keep household saving rates above pre-pandemic norms, tempering the pace of consumption growth.

Investment declined sharply in 2024, largely due to intellectual property exports, while modified investment - which excludes the volatile intangible and aircraft leasing components – recorded modest growth. Looking ahead, modified investment is expected to remain subdued due to high uncertainty. Headline investment figures incorporate a technical assumption that intellectual property investment will return to levels similar to those of the past years.

Exports rebounded strongly in 2024, largely driven by multinationals, with pharmaceutical trade surging and computer services remaining robust. While export growth is expected to continue, momentum is expected to moderate amid the imposition of tariffs and a weak external environment.

Overall, GDP is expected to grow by 3.4% in 2025 and 2.5% in 2026. Modified domestic demand is set to expand by 2.2% in 2025 and 2.3% in 2026. However, Ireland's openness and high trade and investment links to the US leaves it vulnerable to further protectionist policies. While the current US tariff exemptions - notably on pharmaceuticals - cover a large majority of Ireland's goods exports to the US, the introduction of new tariffs, along with broader US policy changes to disincentivise investment and activity in Ireland present significant downside risks to Ireland's economy.

Labour market remains strong but shows signs of moderation

Employment continued to grow in 2024, supported by a growing labour supply largely driven by high inward migration and increased participation. However, falling vacancy rates suggest a gradual easing of labour demand pressures. Despite this, the unemployment rate remained close to historical lows at 4.0% in the first quarter of 2025 and is expected to stay low over the forecast horizon, due to the still tight labour market. Employment is set to continue expanding into 2025 and 2026, albeit at a more moderate pace, reflecting the expected expansion in the domestic economy. That said, the Irish labour market remains sensitive to a potential slowdown in exports.

Inflation expected to remain low

HICP inflation remained low in early 2025, averaging 1.6% in the first quarter. However, an uptick in food prices, along with a slower decline in energy prices and still elevated services inflation kept rates slightly higher than previous quarters. Looking ahead, lower prices for non-energy industrial goods and decreases in commodity prices are expected to dampen inflation, and headline inflation is forecast to reach 1.6% in 2025 and 1.4% in 2026.

General government balance to remain in surplus

Ireland's general government balance registered a surplus of 4.3% of GDP in 2024. A large share (2.6 pps.) of it was driven by a one-off revenue due to the EU Court of Justice's ruling of 10 September 2024 concerning the taxation of two Apple group companies. Excluding this one-off transfer, the surplus amounted to 1.7% of GDP, as buoyant current revenue growth outpaced increases in public sector pay, investment and social transfers.

In 2025, the surplus is forecast to recede to 0.7% of GDP. Revenue growth is projected to slow down amid heightened levels of consumer and business uncertainty, with the corporate income tax revenue expected to experience a slight decline from its peak levels in recent years. Expenditure growth is set to remain high in 2025 due to strong increases in public sector pay, investment and social transfers. In 2026, as revenue growth is projected to continue at a modest rate while strong expenditure growth is expected to continue, the budget surplus is set to recede to 0.1% of GDP.

The general government debt-to-GDP ratio is forecast to decrease from 40.9% in 2024 to 38.6% in 2025 and to 38.2% in 2026. The debt ratio is set to fall more slowly than if the budget surpluses were translated mechanically into debt reduction, mainly due to transfers to the Future Ireland Fund and the Infrastructure, Climate and Nature Fund, as well as cash-accrual adjustments.

A weaker performance or a downsizing of the multinational-dominated sectors would significantly affect tax revenues, which is a key risk to the fiscal outlook. The outlook for corporate income tax revenues is particularly uncertain, given their concentration among a relatively small number of large multinational companies and a large portion estimated to be windfall, i.e. beyond what is explained by underlying domestic economic activity.

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

		2024				Annual percentage change				
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		533.4	100.0	4.6	16.3	8.6	-5.5	**1.2**	**3.4**	**2.5**
Private Consumption		152.1	28.5	1.3	8.9	10.8	4.2	**2.3**	**2.4**	**2.3**
Public Consumption		66.9	12.6	2.6	6.6	4.1	5.6	**4.0**	**2.9**	**3.6**
Gross fixed capital formation		91.7	17.2	8.2	-39.4	3.7	2.8	**-25.4**	**22.4**	**1.4**
Exports (goods and services)		787.2	147.6	8.2	14.1	13.5	-5.8	**11.7**	**1.3**	**2.8**
Imports (goods and services)		562.2	105.4	8.2	-8.7	16.0	1.2	**6.5**	**3.2**	**2.7**
GNI (GDP deflator)		404.0	75.7	3.5	13.6	4.0	5.1	**0.7**	**0.8**	**0.8**
Contribution to GDP growth:	Domestic demand			3.4	-13.2	3.8	2.2	**-4.8**	**4.9**	**1.4**
	Inventories			0.2	0.2	0.9	1.3	**-3.0**	**0.0**	**0.0**
	Net exports			1.6	29.1	3.3	-9.1	**9.1**	**-1.4**	**1.2**
Employment				1.0	6.6	6.9	3.5	**2.7**	**1.7**	**1.2**
Unemployment rate (a)				9.2	6.2	4.5	4.3	**4.3**	**4.3**	**4.4**
Compensation of employees / head				2.5	2.9	2.5	6.8	**3.5**	**3.4**	**3.3**
Unit labour costs whole economy				-1.0	-5.7	0.9	16.9	**5.0**	**1.8**	**2.0**
Saving rate of households (b)				13.0	22.5	15.1	13.6	**14.2**	**13.6**	**13.4**
GDP deflator				1.1	1.1	6.8	3.6	**3.3**	**2.7**	**2.1**
Harmonised index of consumer prices				0.8	2.4	8.1	5.2	**1.3**	**1.6**	**1.4**
Terms of trade goods				0.0	-9.1	-3.7	-0.3	**4.0**	**1.8**	**1.0**
Trade balance (goods) (c)				25.9	37.5	39.4	30.6	**33.1**	**32.8**	**31.4**
Current-account balance (c)				-2.8	12.2	8.8	8.1	**17.0**	**12.6**	**11.6**
General government balance (c)				-5.5	-1.4	1.7	1.5	**4.3**	**0.7**	**0.1**
Fiscal stance (c)				0.7	0.2	-0.1	-1.0	**0.1**	**0.0**	**-0.1**
Structural budget balance (d)				-1.1	-4.2	-3.5	1.5	**2.3**	**1.0**	**0.4**
General government gross debt (c)				68.6	52.6	43.1	43.3	**40.9**	**38.6**	**38.2**

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

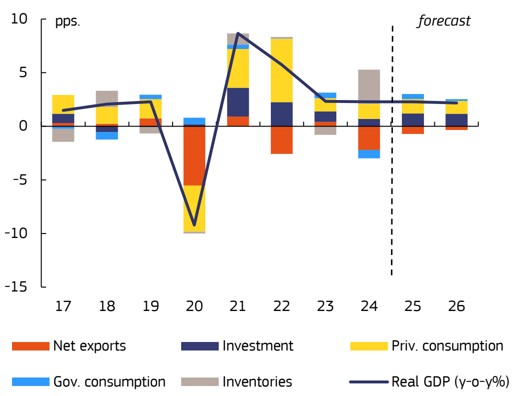
5. GREECE

The Greek economy is projected to maintain its robust momentum, and expand by 2.3% in 2025 and 2.2% in 2026, thanks to sustained consumption and EU-funded investment growth. Inflation is expected to moderate to 2.3% by 2026, with strong wage and demand developments still putting pressures on consumer prices. Greece achieved a significant budgetary surplus in 2024, which is set to be sustained over the forecast horizon. Helped by robust nominal GDP growth, the debt-to-GDP ratio continues to fall and is expected to reach 140.6% in 2026.

Economy maintains momentum despite headwinds

In 2024, Greece's economy expanded by 2.3%. This was largely fuelled by private consumption, investment and the buildup of inventories. Despite the contractionary fiscal stance, the increase in domestic demand was strong and implied a significant rise in imports, whereas exports grew at a slower pace. Hence, net exports weighed on economic activity.

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



With the progress of the recovery and resilience plan, EU-funded investments are expected to be significant in 2025 and 2026. Together with sustained robust consumption, supported by steady income growth, these are expected to be the main drivers of economic growth. Import demand is set to remain strong, given the high import content of investment. Overall, GDP growth is set to continue exceeding its long-term potential, with rates of 2.3% in 2025 and 2.2% in 2026. The Greek economy is expected to be only mildly affected by the U.S. tariffs due to its relatively weak direct and indirect trade links with the United States. However, risks to the growth outlook increased and are tilted to the downside, as a persistent increase in trade and geopolitical uncertainty together with the deterioration of the global economic outlook could weigh on Greek exports, especially tourism.

Tighter labour market and sustained wage growth

The labour market improved in recent years, and favourable momentum carried over to early 2025 as evidenced by a further decline in the unemployment rate in February to 8.6%. Following a peak in the first quarter of 2024, vacancy rates have begun to decrease, but still indicate a tight labour market, particularly in sectors related to tourism and those requiring high skills. Employment is set to keep expanding, although at a slower pace as skills gaps and low labour market participation, especially among women, limit labour supply. Against this background, real wages per employee are set to rise further, on average by 1.3% per year over the forecast horizon. This is also supported by recent minimum wage increases and a reduction in social security contribution.

Inflation to remain above the euro area average

Headline inflation averaged 3% in 2024, 0.6 pps. above the euro area average. Disinflation has been constrained by accelerating services prices and the uptick in electricity prices. Looking forward, wages are set to continue exerting upward pressure on prices. Hence, services inflation is expected to slow down only gradually over the forecast horizon. Overall, inflation is projected at 2.8% in 2025 and 2.3% in 2026. Inflation excluding energy and food is forecast to remain higher, at 3.5% and 2.6% in 2025 and 2026, respectively.

Stronger fiscal outlook driven by structural gains

In 2024, the general government balance significantly outperformed expectations and recorded a surplus of 1.3% of GDP, compared to a projected deficit of 0.6% of GDP in the Autumn Forecast. This improvement was driven by subdued growth in current expenditure, stronger-than-anticipated direct tax revenues, and robust receipts from social security contributions, associated not only with solid employment growth but also with measures to combat tax evasion and undeclared work, such as the digital labour card and stricter reporting requirements for VAT returns.

In 2025, the general government surplus is expected to narrow, reaching 0.7% of GDP. On the revenue side, the forecast reflects the higher baseline due to the stronger-than-expected revenue performance in 2024 and accounts for the rise in the overnight stay tax in hotels, structural measures to combat tax evasion, the extension of the digital labour card to the food and tourism sectors, aimed at reducing undeclared work and the increase in local government fees. These measures are expected to offset the impact of the planned 1 pp reduction in social security contribution rate and the increase in public sector wages. On the expenditure side, the projections incorporate a new package of measures, worth 0.5% of GDP, announced after the publication of the 2024 fiscal outcome, including a refund of one month's rent with income criteria, a permanent social benefit of EUR 250 to low-income pensioners, uninsured elderly, and persons with disabilities, and a EUR 500 million annual increase in the national investment budget.

In 2026, the general government surplus is projected to rise to 1.4% of GDP under a no-policy-change assumption. This improvement is expected to be supported by continued growth in tax revenues and social security contributions, which are expected to offset the rising expenditures on pensions and public sector wages. The fiscal stance is projected to be expansionary, supported by EU funding, both in 2025 and in 2026.

The public debt-to-GDP ratio is projected to continue to fall to 146.6% in 2025 and 140.6% in 2026. The decline is set to be driven by nominal GDP growth as well as the budget surpluses.

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

		2024		Annual percentage change						
		bn EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		237.6	100.0	-1.5	8.7	5.7	2.3	**2.3**	**2.3**	**2.2**
Private Consumption		163.6	68.9	-0.9	5.1	8.6	1.8	**2.1**	**1.9**	**1.8**
Public Consumption		43.5	18.3	-0.4	1.8	0.1	2.6	**-4.1**	**2.6**	**1.1**
Gross fixed capital formation		36.3	15.3	-5.3	21.7	16.4	6.6	**4.5**	**7.8**	**7.3**
Exports (goods and services)		99.7	42.0	1.3	24.4	6.6	1.9	**1.0**	**3.1**	**3.2**
Imports (goods and services)		112.5	47.3	0.3	17.4	11.0	0.9	**5.5**	**4.2**	**3.5**
GNI (GDP deflator)		230.2	96.9	-1.5	9.0	5.1	0.4	**2.3**	**2.6**	**2.5**
Contribution to GDP growth:	Domestic demand			-1.5	6.7	8.2	2.7	**1.3**	**3.0**	**2.6**
	Inventories			0.0	1.0	0.2	-0.8	**3.2**	**0.0**	**0.0**
	Net exports			0.2	0.9	-2.6	0.4	**-2.2**	**-0.7**	**-0.3**
Employment				0.0	5.1	2.4	1.2	**1.2**	**1.1**	**0.9**
Unemployment rate (a)				17.6	14.7	12.5	11.1	**10.1**	**9.3**	**8.7**
Compensation of employees / head				-0.4	1.6	1.8	3.7	**6.0**	**3.8**	**3.5**
Unit labour costs whole economy				1.1	-1.7	-1.4	2.5	**4.9**	**2.6**	**2.1**
Saving rate of households (b)				1.8	4.4	-3.5	-1.9	**-2.5**	**-2.5**	**-1.8**
GDP deflator				0.7	1.4	6.5	5.9	**3.2**	**3.4**	**2.3**
Harmonised index of consumer prices				1.4	0.6	9.3	4.2	**3.0**	**2.8**	**2.3**
Terms of trade goods				-0.4	-0.4	5.3	3.8	**2.3**	**0.7**	**0.3**
Trade balance (goods) (c)				-13.1	-14.4	-19.0	-14.5	**-15.0**	**-15.0**	**-14.9**
Current-account balance (c)				-7.1	-8.3	-10.8	-8.0	**-8.3**	**-8.2**	**-7.9**
General government balance (c)				-6.6	-7.1	-2.5	-1.4	**1.3**	**0.7**	**1.4**
Fiscal stance (c)				-0.6	-3.1	-2.1	0.2	**1.5**	**-0.8**	**-0.8**
Structural budget balance (d)				4.0	-4.8	-2.5	-1.6	**0.6**	**-0.5**	**-0.1**
General government gross debt (c)				158.5	197.3	177.0	163.9	**153.6**	**146.6**	**140.6**

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

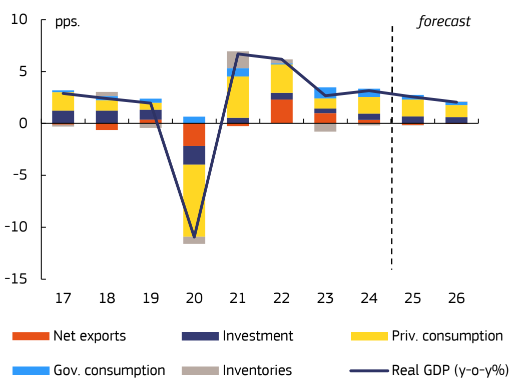
6. SPAIN

Real GDP growth is expected to remain robust in 2025, reaching 2.6%, and to soften in 2026 to 2.0%. Economic activity is set to be supported by domestic demand, owing to continued strong labour market performance upholding private consumption growth and the projected strengthening of investment, also thanks to the implementation of the recovery and resilience plan. Headline inflation is projected to ease to 1.9% in 2026. The general government deficit is set to decrease to 2.8% of GDP in 2025 and 2.5% in 2026, driven by the phase-out of energy-related support and the withdrawal of temporary measures introduced in response to the devastating floods in Valencia. The debt-to-GDP ratio is set to decline to 100.9% in 2025 and then to broadly stabilise in 2026.

Economic activity to remain robust

Economic activity in 2024 expanded by 3.2%, underpinned by the strong increase of consumption and by the positive contribution of net external demand. The economic expansion continued in the first quarter of this year, with GDP edging up by 0.6%. This outturn was supported by investment and private consumption growth and, to a lesser extent, by net exports. Real GDP growth is expected to attain 2.6% in 2025 overall, also reflecting a high carry-over from 2024, and to decelerate to 2.0% in 2026.

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



Domestic demand is set to remain the key driver of economic growth over the forecast period, driven by private consumption and the projected pickup in investment, whilst - amidst rising trade tensions - the contribution from net exports is expected to be negative in both years. Consumer spending would be upheld by further, yet moderating, real wage gains coupled with further employment growth in a context of sustained but decelerating inward migration. Policy uncertainty surrounding global trade and tariffs is set to weigh on private investment growth, even if the direct exposure of the Spanish economy to the US in terms of exports of goods and non-tourism services remains limited overall. Nonetheless, the healthy financial position of non-financial corporations, together with the continued implementation of the RRP, is expected to sustain the pick-up of gross fixed capital formation, benefitting also by the lower short-term interest rates environment. On the external demand side, the less buoyant evolution of total exports together with the recovery of import growth is expected to lead to a marginally negative contribution of net exports to GDP growth in 2025 and 2026.

Downside risks to the outlook relate mainly to the larger than expected slowdown of economic activity in the euro area and in Spain's main trading partners, particularly those with a relatively high exposure to US markets. This could generate negative spill-over effects on activity in Spain, by further disrupting access to export markets, prompting a prolonged precautionary behaviour by the private sector delaying corporate investment and further upholding the household saving rate above its long-term historical average.

Dynamic labour market and declining unemployment

The robust performance of the labour market observed in 2024 continued in the first quarter of this year. Employment growth is expected to expand by 2.1% in 2025, underpinned mainly by continued immigration flows. The unemployment rate is projected to steadily decline to slightly below 10% in 2026, down from 11.4% in 2024, supported by additional job creation and a moderation in the total labour force growth compared to recent years.

Inflation to ease further over the forecast horizon

Annual HICP inflation averaged 2.9% in 2024 and is projected to continue its slowdown in 2025 driven mainly by the deceleration of energy prices, while price pressure related to services is set to ease more gradually. Headline inflation is projected to reach 2.3% in 2025, before easing further to 1.9% in 2026. Nominal wage growth is set to keep growing above the inflation rate in 2025, though real wage gains are set to moderate over the forecast horizon.

Government deficit to keep decreasing

In 2024, the general government deficit diminished by 0.3 pps. to 3.2% of GDP, benefiting from strong economic growth, favourable labour market developments and lower costs of the energy-related measures. Tax revenues grew by 8.4%, driven by buoyant direct taxation, including corporate tax revenues that increased by 11.5%, reflecting robust corporate profits. However, on the expenditure side, the impact of the emergency one-off measures related to the floods in the Valencian community added some 0.4% of GDP to the general government deficit.

In 2025, the deficit is expected to keep decreasing driven by the phase-out of the energy-related measures and by the lower impact of the flood-related one-off measures, partly offset by an increase in interest payments and defence expenditure. Revenues are also set to be boosted by new tax measures approved in December 2024, including amendments to corporate income tax, additional taxes on electronic cigarettes and other tobacco-related products and an increased tax rate on personal incomes from financial assets. Overall, the general government deficit is projected to decrease to 2.8%.

Based on unchanged policies, the government deficit is forecast to decline further to 2.5% of GDP in 2026, despite slightly higher interest expenditure. This decline is driven by the expiry of the flood-related emergency measures as well as the favourable impact of the global minimum tax for multinational groups.

The debt-to-GDP ratio is set to keep falling and settle below 101% in 2025, thanks to nominal GDP growth outpacing the cost of servicing debt. The ratio is set to broadly stabilise in 2026, as the interest-growth rate differential turns less favourable.

Table III.6.1: **Main features of country forecast - SPAIN**

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		1591.6	100.0	0.4	6.7	6.2	2.7	**3.2**	**2.6**	**2.0**
Private Consumption		889.1	55.9	0.0	7.1	4.8	1.8	**2.9**	**2.9**	**2.1**
Public Consumption		308.6	19.4	1.8	3.6	0.6	5.2	**4.1**	**2.3**	**1.6**
Gross fixed capital formation		310.9	19.5	-0.6	2.6	3.3	2.1	**3.0**	**3.4**	**3.1**
Exports (goods and services)		593.6	37.3	1.5	13.4	14.3	2.8	**3.1**	**2.4**	**2.3**
Imports (goods and services)		525.4	33.0	0.3	15.0	7.7	0.3	**2.4**	**3.2**	**2.8**
GNI (GDP deflator)		1584.0	99.5	0.5	7.2	5.9	1.7	**3.2**	**2.3**	**2.1**
Contribution to GDP growth:	Domestic demand			0.2	5.3	3.5	2.5	**3.0**	**2.8**	**2.1**
	Inventories			0.0	1.6	0.4	-0.8	**-0.2**	**0.0**	**0.0**
	Net exports			0.3	-0.3	2.3	1.0	**0.3**	**-0.2**	**-0.1**
Employment				0.2	2.6	3.5	3.0	**2.2**	**2.1**	**1.6**
Unemployment rate (a)				17.2	14.9	13.0	12.2	**11.4**	**10.4**	**9.9**
Compensation of employees / head				1.8	4.8	4.9	5.8	**5.0**	**3.4**	**2.6**
Unit labour costs whole economy				1.5	0.8	2.3	6.2	**4.0**	**3.0**	**2.2**
Saving rate of households (b)				8.7	14.3	9.1	12.0	**13.6**	**13.1**	**12.9**
GDP deflator				1.3	2.6	4.7	6.2	**3.0**	**2.3**	**2.0**
Harmonised index of consumer prices				1.6	3.0	8.3	3.4	**2.9**	**2.3**	**1.9**
Terms of trade goods				0.0	0.7	-5.6	6.8	**0.4**	**0.4**	**0.1**
Trade balance (goods) (c)				-3.8	-1.7	-4.4	-2.3	**-2.0**	**-2.4**	**-2.4**
Current-account balance (c)				-1.7	0.8	0.4	2.7	**3.1**	**2.7**	**2.8**
General government balance (c)				-5.2	-6.7	-4.6	-3.5	**-3.2**	**-2.8**	**-2.5**
Fiscal stance (c)				-0.6	-2.0	-2.2	0.3	**0.3**	**-0.3**	**-0.2**
Structural budget balance (d)				-2.7	-4.2	-4.6	-3.8	**-3.2**	**-3.2**	**-3.2**
General government gross debt (c)				78.5	115.7	109.5	105.1	**101.8**	**100.9**	**100.8**

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

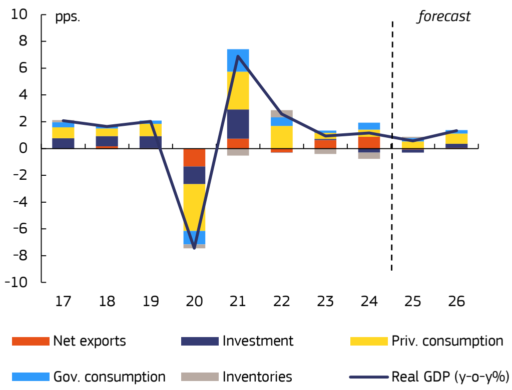
7. FRANCE

Economic activity in France is expected to decelerate strongly in 2025, to 0.6%, held back by fiscal adjustment and trade-related uncertainty. GDP growth is then projected to pick up to 1.3% in 2026, as investment recovers and higher real wages support a further expansion in private consumption. Inflation is projected to fall below 1% in 2025, on the back of falling energy prices. The government deficit is forecast to decline to 5.6% in 2025 and to edge up to 5.7% of GDP in 2026. Public debt is set to increase to 118.4% of GDP by 2026, from 113% in 2023, as the primary deficit remains sizeable.

International uncertainties to weigh on demand in 2025-26

Real GDP is expected to grow by 0.6% in 2025, held back by a contractionary fiscal stance coupled with economic and policy uncertainty, both domestic and from the global environment. Net exports would detract 0.3 percentage points from GDP growth in 2025, while private investment is projected to be subdued, as the surge in uncertainty weighs on capital expenditure. Private consumption is expected to be bolstered by increases in real wages, but the saving rate should remain high, against the background of stagnant consumer confidence.

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



In 2026, economic activity is projected to gain momentum, bringing real GDP growth to 1.3%, on the back of declining credit cost and a slightly expansionary fiscal stance at unchanged policies. Private consumption is expected to continue driving GDP growth thanks to further increases in real incomes while private investment is set to rebound on the back of monetary policy easing and increased orders in the military industry.

Labour market to soften

The labour market cooled down in the second half of 2024. The unemployment rate hovered around 7.3% until 2024-Q4, close to its lowest level since 2008, while the activity rate slightly decreased to 74.4%, but remains 1.6 pps. above its 2019-Q4 level. Employment is expected to decline by 0.2% in 2025, before bouncing back in 2026 (+0.5%). Subdued employment growth is also due to less supportive labour market policies, particularly those regarding apprenticeship schemes. As economic output rises faster than employment, productivity is set to pick up. The unemployment rate is expected to increase to 7.9% in 2025 and to decline only marginally in 2026.

Inflation expected to fall below 1% on the back of a sharp fall in energy prices

Inflation fell to 0.8% in April 2025, from 0.9% in March and 1.8% in January, largely thanks to the decrease in regulated electricity prices in February. Inflation is expected to remain broadly stable in 2025, due to the recent fall in energy commodity prices. Energy prices are projected to fall by 5.0% in 2025. Consumer price inflation is expected to ease to 0.9% in 2025 (after 2.3% in 2024) before picking up slightly to 1.2% in 2026.

Government deficits to remain large and public debt on the rise

The general government deficit increased to 5.8% of GDP in 2024, from 5.4% in 2023. Although 0.4 pps. of GDP lower than projected in autumn, the 2024 deficit outturn represents a significant slippage compared to the deficit planned in the budget law of 30 December 2023 (4.4% of GDP).

The increase in the deficit was due to tax revenues rising well below economic activity, mainly because of shortfalls in corporate income and stamp duty taxes, the indexation of social benefits (pensions) to high inflation in 2023 and high public consumption and investment growth by local governments. These deficit-increasing factors were only partially offset by the withdrawal of most energy-related measures and by additional expenditure saving measures of 0.3% of GDP adopted in February 2024. In turn, interest payments on public debt increased by 0.2% of GDP.

The budget law for 2025 that was eventually adopted in February incorporates sizeable fiscal adjustment measures aimed at curbing the dynamics of public spending and collecting extra revenues. This forecast factors in revenue-increasing measures of around 0.5% of GDP and expenditure-decreasing measures, mainly on public consumption and social transfers, worth almost 0.3% of GDP. The economic deceleration forecast for 2025 is set to weigh on tax revenues, which are expected to again rise slightly below economic activity, while higher unemployment is set to lift unemployment benefit expenditure. Interest payments on government debt are projected to rise further by 0.3 pps, to 2.5% of GDP, pushed by the higher debt and higher interest rates on new bond issuances. The revenue ratio is projected to increase by almost ¾% of GDP, while the expenditure ratio is expected to rise by some ½ pps. All in all, the general government deficit in 2025 is forecast at 5.6% of GDP.

For 2026, the general government deficit is expected to creep up to 5.7% of GDP, as some revenue measures adopted for 2025 are set to expire. The revenue-to-GDP ratio is thus projected to decline by around 0.2 pps., while the expenditure ratio is set to remain broadly stable, with interest payments expected to keep rising to 2.9% of GDP.

After edging up to 113% of GDP in 2024, the government debt ratio is estimated to maintain an upward trend, increasing to 116.0% in 2025 and to 118.4% in 2026. The increases are set to be mainly driven by high primary deficits and rising interest payments, whereas the debt-reducing effect stemming from nominal growth is projected to moderate compared to recent years.

Table III.7.1: **Main features of country forecast - FRANCE**

		2024			Annual percentage change						
	bn EUR	**Curr. prices**	**% GDP**	**05-20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
GDP		2921.4	100.0	0.7	6.9	2.6	0.9	**1.2**	**0.6**	**1.3**
Private Consumption		1593.0	54.5	0.9	5.3	3.2	0.8	**1.0**	**1.0**	**1.4**
Public Consumption		709.2	24.3	1.1	6.6	2.6	0.7	**2.1**	**1.0**	**1.1**
Gross fixed capital formation		652.1	22.3	0.9	9.7	0.0	0.4	**-1.3**	**-1.0**	**1.4**
Exports (goods and services)		971.2	33.2	1.4	11.3	8.2	2.1	**1.3**	**1.1**	**2.3**
Imports (goods and services)		992.7	34.0	2.3	8.3	8.8	0.3	**-1.2**	**1.3**	**2.1**
GNI (GDP deflator)		2970.7	101.7	0.7	8.1	2.2	0.0	**1.0**	**0.6**	**1.3**
Contribution to GDP growth:	Domestic demand			0.9	6.7	2.3	0.7	**0.8**	**0.6**	**1.3**
	Inventories			0.0	-0.5	0.5	-0.4	**-0.5**	**0.1**	**0.0**
	Net exports			-0.2	0.7	-0.3	0.6	**0.9**	**-0.1**	**0.0**
Employment				0.6	2.6	2.4	1.1	**0.6**	**-0.2**	**0.5**
Unemployment rate (a)				9.1	7.9	7.3	7.3	**7.4**	**7.9**	**7.8**
Compensation of employees / head				1.6	5.0	4.8	4.2	**3.2**	**2.5**	**2.0**
Unit labour costs whole economy				1.5	0.8	4.6	4.3	**2.6**	**1.8**	**1.1**
Saving rate of households (b)				14.7	18.7	16.5	16.5	**17.0**	**17.0**	**17.0**
GDP deflator				1.3	1.2	3.2	5.3	**2.3**	**1.7**	**1.5**
Harmonised index of consumer prices				1.4	2.1	5.9	5.7	**2.3**	**0.9**	**1.2**
Terms of trade goods				0.2	-2.3	-3.5	1.5	**0.6**	**1.3**	**0.0**
Trade balance (goods) (c)				-1.8	-2.7	-4.9	-2.8	**-1.9**	**-1.7**	**-1.7**
Current-account balance (c)				-0.3	0.0	-1.9	-2.0	**-0.9**	**-0.6**	**-0.6**
General government balance (c)				-4.5	-6.6	-4.7	-5.4	**-5.8**	**-5.6**	**-5.7**
Fiscal stance (c)				0.1	-2.2	-1.9	0.6	**0.2**	**0.9**	**0.1**
Structural budget balance (d)				-3.3	-5.7	-4.8	-5.3	**-5.7**	**-5.2**	**-5.6**
General government gross debt (c)				88.5	112.8	111.4	109.8	**113.0**	**116.0**	**118.4**

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

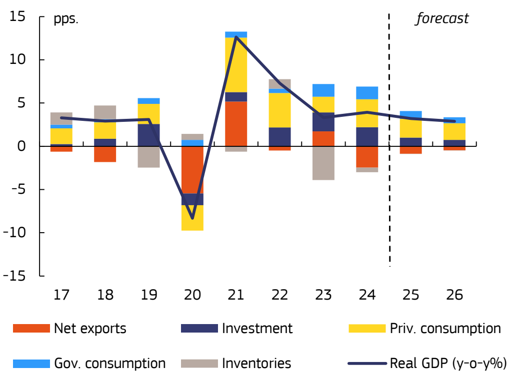
8. CROATIA

After growing by 3.9% in 2024, economic activity in Croatia is projected to expand by 3.2% in 2025 and 2.9% in 2026, driven by robust household consumption. The labour market is set to remain tight, with the unemployment rate below 5%. Inflation is forecast to decelerate and reach 2% in 2026. After widening significantly in 2024, the general government deficit is expected to increase further and reach 2.7% in 2025. In a context of solid nominal GDP growth, the debt-to-GDP ratio is expected to decline to 56.3% in 2025.

Solid economic growth to continue

After growing by 3.9% in 2024, Croatia's economy is set to decelerate gradually over the forecast period. Croatia's exposure to the US-tariff shock is low compared to other Member States and a robust domestic demand is expected to provide for solid GDP growth despite heightened trade-related uncertainty.

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



In 2025, GDP is forecast to expand by 3.2%. Growth is expected to be mainly driven by private consumption, underpinned by real wage and employment growth. Investment growth is projected to continue, although at a slower pace, sustained by sizeable absorption of EU funds, notably from the RRF. Government consumption is set to rise with further increases in compensation of public sector employees. Exports of goods are forecast to continue growing at solid rates, despite rising trade protectionism that adversely affects global economic activity and demand from some of Croatia's main trading partners. Conversely, exports of services are expected to increase mildly in real terms, as continued price increases of touristic services weigh on competitiveness. With imports outpacing exports, the contribution of net exports to growth is set to remain negative.

In 2026, economic growth is forecast to soften but still reach 2.9%. Consumption growth is set to decelerate as wage growth moderates. Investment is projected to continue growing, although more slowly, further supported by increased absorption of EU funds. The external sector's contribution to growth is set to become less negative, as exports of services gain momentum with expected moderation in price growth of touristic services, coupled with more solid external demand growth.

Risks to this outlook include a higher-than-expected impact of uncertainty on private investment and consumption. Stronger than anticipated wage increases could add to price pressures and hurt exporters' cost competitiveness. Potential supply bottlenecks in construction could delay the absorption of EU funds.

Tight labour market but moderating wage growth

As labour shortages remain elevated, inflows of workers from non-EU countries continue. The unemployment rate is projected to reach new lows of 4.6% in 2025 and 4.5% in 2026 as employment continues to grow, but it is set to decelerate over the forecast horizon. As a result, wage growth is expected to slow down, both in nominal and real terms.

Headline inflation to reach 2% in 2026

In 2025, headline inflation is projected to decline to 3.4% from 4% in 2024, as energy inflation picks up and food and services inflation slowly decreases. With continued moderation of wage and demand pressures, inflation is expected to decelerate more strongly and reach 2% in 2026. The decline is projected to be driven mainly by services and food inflation. The expected fall in international energy commodity prices is forecast to lead only to a small decline in energy inflation as government's energy price measures expire in October 2025. Inflation excluding energy and food is set to decrease from 4.8% in 2024 to 3.4% in 2025 and 2.4% in 2026.

Public deficit increases in 2025 while debt continues to adjust

In 2024, the general government deficit increased to 2.4% of GDP, from 0.8% in 2023, driven by higher expenditure on public wages and social benefits - in particular pensions. At the same time revenue increased due to strong nominal GDP growth and favourable labour market developments.

In 2025, the deficit is forecast to increase to 2.7% of GDP. Nominal GDP growth, wage and employment growth are set to continue supporting revenue, with overall additional revenue expected from the fiscal measures (extra revenue from health social contributions and the reform of property and rental income taxation, and reduced revenue from changes to the personal income tax rates, brackets and deductions). Capital expenditure is projected to rise as a result of EU RRF funds while change in the indexation formula is likely to further increase pensions expenditure.

The deficit is forecasted to edge down to 2.6% of GDP in 2026. Revenue growth is supported by GDP and employment growth, and also fiscal measures (non-indexation of PIT brackets and deductions, phasing out health contributions exemptions for young workers and elimination of the temporary VAT rate reduction for natural gas, heat, pellet, wood chippings and firewood). Although investment is set to remain at a record-high nominal level—supported by the implementation of the RRP—its growth is subdued compared to the previous year. At the same time, the introduction of an annual supplement for pensioners is expected to further raise pension expenditures.

The debt-to-GDP ratio reached 57.6% in 2024 and is forecast to decrease further to 56.3% in 2025, in a context of sustained nominal GDP growth. In 2026, debt is expected to increase only marginally to 56.4% of GDP due to debt-increasing stock-flow adjustments.

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

		2024		Annual percentage change						
		bn EUR Curr. prices	**% GDP**	**05-20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
GDP		85.6	100.0	0.7	12.6	7.3	3.3	**3.9**	**3.2**	**2.9**
Private Consumption		48.7	56.9	0.4	10.7	6.9	3.0	**5.6**	**3.8**	**3.4**
Public Consumption		19.8	23.1	2.0	2.8	2.2	7.1	**7.0**	**3.9**	**2.9**
Gross fixed capital formation		20.2	23.6	0.5	4.8	10.4	10.1	**9.9**	**4.3**	**3.2**
Exports (goods and services)		42.6	49.7	1.6	32.7	27.0	-2.9	**0.9**	**2.3**	**2.6**
Imports (goods and services)		45.2	52.8	1.7	17.3	26.5	-5.3	**5.3**	**3.8**	**3.3**
GNI (GDP deflator)		85.9	100.4	0.8	10.3	7.4	3.5	**5.1**	**2.6**	**2.9**
Contribution to GDP growth:	Domestic demand			0.8	8.1	6.7	5.5	**6.9**	**4.1**	**3.4**
	Inventories			0.1	-0.6	1.1	-3.9	**-0.5**	**0.0**	**0.0**
	Net exports			-0.2	5.2	-0.5	1.7	**-2.5**	**-0.9**	**-0.5**
Employment				0.1	1.2	2.2	2.2	**6.1**	**2.6**	**1.1**
Unemployment rate (a)				11.9	7.5	6.8	6.1	**5.0**	**4.6**	**4.5**
Compensation of employees / head				1.7	6.1	12.3	15.9	**11.2**	**8.8**	**5.3**
Unit labour costs whole economy				1.1	-4.7	7.0	14.6	**13.5**	**8.2**	**3.5**
Saving rate of households (b)				8.0	10.6	6.4	10.2	**:**	**:**	**:**
GDP deflator				1.9	2.1	8.0	11.7	**5.5**	**4.3**	**2.6**
Harmonised index of consumer prices				1.8	2.7	10.7	8.4	**4.0**	**3.4**	**2.0**
Terms of trade goods				-0.2	-0.5	-3.3	2.0	**-0.1**	**0.4**	**0.2**
Trade balance (goods) (c)				-17.2	-19.5	-26.8	-21.8	**-20.4**	**-19.4**	**-19.1**
Current-account balance (c)				-2.4	0.4	-3.4	0.8	**-0.7**	**-1.1**	**-1.1**
General government balance (c)				-3.6	-2.6	0.1	-0.8	**-2.4**	**-2.7**	**-2.6**
Fiscal stance (c)				-1.0	-0.3	-0.4	-2.5	**-1.8**	**-0.8**	**0.2**
Structural budget balance (d)				-1.6	-2.6	-1.1	-1.9	**-3.3**	**-3.3**	**-2.9**
General government gross debt (c)				63.9	78.2	68.5	61.8	**57.6**	**56.3**	**56.4**

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

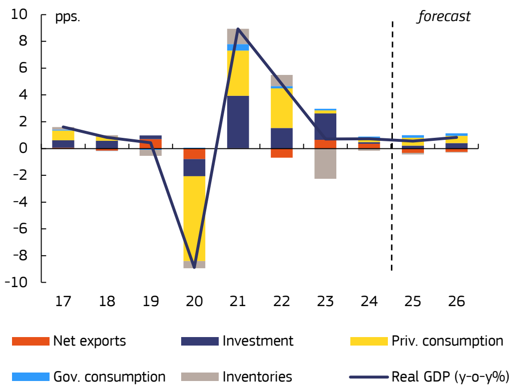
9. ITALY

Real GDP growth is expected to remain stable at 0.7% in 2025 and to rise to 0.9% in 2026. The economic expansion is set to be supported by domestic demand, in particular investment fuelled by RRF-related spending. Inflation is forecast to remain below 2% in both 2025 and 2026, on the back of negative import price dynamics and moderate domestic costs increases. The government deficit is projected to continue falling from 3.4% of GDP in 2024 to 3.3% in 2025 and 2.9% in 2026. By contrast, the debt ratio is set to rise over the forecast horizon, driven by the lagged impact of housing renovation tax credits accrued in the deficit until 2023.

Resilient domestic demand props up output growth

In 2024, real GDP growth stabilised at 0.7%, with a moderate expansion in domestic demand and a robust contribution of net exports. Household consumption increased by just 0.4%, as the recovery in real disposable income was partly absorbed by a rise in the saving rate. Investment rose by 0.5%, with a surge in non-residential construction — largely supported by the RRF — more than compensating for declines in equipment and housing investment. The fall in imports, together with the strong expansion of service exports, led to a positive contribution of net exports to GDP growth.

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



Real GDP growth is forecast to settle at 0.7% in 2025. While domestic demand is expected to accelerate in 2025, US trade tariffs are set to affect exports of goods, while imports are still expected to expand on the back of strengthening domestic demand. Private consumption is anticipated to increase by 1.2%, broadly in line with real disposable income, fuelled by employment growth and recovering real wages. Gross fixed capital formation is set to pick up, with equipment investment recovering from the slump of 2024, as the gradual pass-through of monetary easing lowers financing costs. The rebound is nevertheless projected to be smaller than expected in the autumn, as increased uncertainty has reduced corporate confidence while the adverse and volatile market response to the trade tensions is set to have a tightening impact on broader financing conditions. Moreover, RRF grants are meant to support a further expansion in non-residential construction, implying that the national fiscal stance will be broadly neutral despite the ongoing fiscal adjustment. At the same time, the withdrawal of housing renovation incentives in 2024 is set to result in a deep annual contraction of residential investment.

In 2026, real GDP growth is expected to pick up to 0.9%. While private consumption is forecast to continue growing apace, investment is set to accelerate thanks to a further expansion in infrastructure construction and a lower drag from the housing component. Net foreign trade is expected to subtract further from GDP growth, as the full adverse impact of US tariffs is going to be displayed in 2026, although somewhat reduced by trade diversion to other export markets.

Slower job and wage growth

Employment is forecast to continue growing though at a slowing pace over 2025-26. The number of private sector employees, particularly with open-ended contracts, is still set to increase more rapidly than that of the self-employed. The unemployment rate is expected to fall further, as the labour force expands less than total employment, in the context of a falling working-age population. Wage growth is expected to moderate this year and in 2026, reflecting low inflation expectations and the need to maintain competitiveness in a more challenging trade environment.

Low inflation driven by falling import prices

The drop in energy prices and the euro appreciation exert strong downward pressure on headline inflation, keeping the 2025 annual rate below 2%. In 2026, wage restraint, increasing productivity and further falling energy prices are forecast to push inflation down to 1.5%.

Government debt ratio to rise despite primary surpluses

The general government deficit declined by 3.8 pps. to 3.4% of GDP in 2024, as a result of the phase-out of sizeable tax credits for housing renovations and support measures related to the energy crisis, together with buoyant revenues, particularly from taxes on personal income and financial assets. Public investment surged, driven also by RRF-financed projects. Primary current expenditure increased slightly, driven by the indexation of pensions to the high 2023 inflation and higher public-sector wages. The primary balance turned positive, from -3.6% in 2023 to 0.4% in 2024. At the same time, debt servicing costs increased by 0.2 pps., reaching 3.9% of GDP.

In 2025, the deficit is forecast to edge down to 3.3% of GDP, on the back of a marginal improvement in the primary surplus and unchanged interest expenditure as a share of GDP. The tax burden is expected to rise marginally, by 0.1 pps. of GDP, also due to the replacement of the 2024 tax wedge cut with a new bonus for low- and medium-income households and a new income tax credit, together with changes to ceilings and timing for specific deductions for financial institutions and insurance companies. Public wages are expected to grow moderately despite the additional funds allocated to the renewal of 2025-27 public sector wage contracts. The pick-up in RRF-financed projects is expected to drive the increase of capital expenditure.

In 2026, the deficit is expected to fall to 2.9% of GDP and the primary surplus to attain 1.1% of GDP on the back of moderate primary expenditure growth, while interest expenditure is projected to rise slightly to 4% of GDP.

The general government debt increased to 135.3% of GDP in 2024, from 134.6% the previous year mainly due to a debt-increasing stock-flow adjustment related to the lagged impact on cash borrowing of the tax credits for housing renovations, affecting previous years' deficits. In 2025-26 the debt ratio is set to keep rising to 138.2%, driven by further debt-increasing stock-flow adjustments and interest-growth-rate differential.

Table III.9.1: **Main features of country forecast – ITALY**

		2024			Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		2192.2	100.0	-0.6	8.9	4.8	0.7	**0.7**	**0.7**	**0.9**
Private Consumption		1251.2	57.1	-0.6	5.8	5.3	0.4	**0.4**	**1.2**	**1.1**
Public Consumption		400.7	18.3	-0.2	2.3	0.8	0.6	**1.1**	**0.9**	**0.9**
Gross fixed capital formation		481.5	22.0	-1.4	21.5	7.4	9.0	**0.5**	**0.8**	**1.5**
Exports (goods and services)		717.6	32.7	0.9	14.1	9.9	0.2	**0.4**	**0.9**	**1.7**
Imports (goods and services)		667.4	30.4	0.4	16.0	12.9	-1.6	**-0.7**	**1.7**	**2.4**
GNI (GDP deflator)		2178.2	99.4	-0.5	8.8	4.6	-0.7	**0.6**	**0.7**	**1.0**
Contribution to GDP growth:	Domestic demand			-0.7	7.8	4.7	2.3	**0.5**	**1.0**	**1.1**
	Inventories			0.0	1.1	0.8	-2.3	**-0.2**	**-0.1**	**0.0**
	Net exports			0.2	0.0	-0.7	0.7	**0.4**	**-0.2**	**-0.2**
Employment				0.2	1.0	1.9	1.9	**1.6**	**0.9**	**0.3**
Unemployment rate (a)				9.6	9.5	8.1	7.7	**6.5**	**5.9**	**5.9**
Compensation of employees / head				0.9	6.8	3.7	2.9	**3.4**	**3.4**	**2.5**
Unit labour costs whole economy				1.6	-1.0	0.9	4.2	**4.3**	**3.6**	**1.9**
Saving rate of households (b)				12.9	15.8	11.4	11.2	**11.8**	**11.8**	**11.7**
GDP deflator				1.5	1.3	3.5	5.9	**2.1**	**2.2**	**1.7**
Harmonised index of consumer prices				1.4	1.9	8.7	5.9	**1.1**	**1.8**	**1.5**
Terms of trade goods				0.2	-6.1	-10.2	10.8	**3.0**	**2.5**	**1.4**
Trade balance (goods) (c)				1.4	2.5	-1.3	1.7	**2.6**	**2.8**	**3.0**
Current-account balance (c)				0.2	2.1	-1.7	0.1	**0.9**	**1.3**	**1.6**
General government balance (c)				-3.3	-8.9	-8.1	-7.2	**-3.4**	**-3.3**	**-2.9**
Fiscal stance (c)				-0.1	-4.4	-3.5	-0.3	**3.2**	**0.2**	**0.1**
Structural budget balance (d)				-1.6	-8.4	-9.4	-8.4	**-4.1**	**-3.7**	**-3.4**
General government gross debt (c)				124.6	145.8	138.3	134.6	**135.3**	**136.7**	**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.

10. CYPRUS

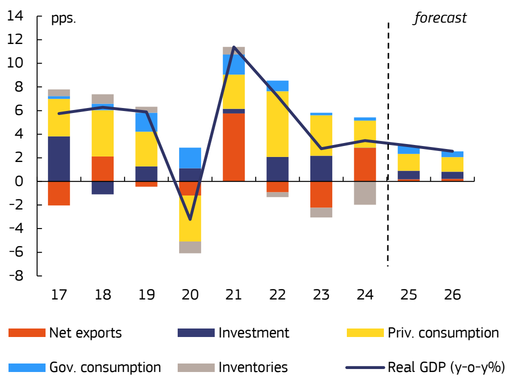
Economic growth is expected to remain strong in 2025 and 206, thanks to the continuation of dynamic domestic demand. Despite a fragile international environment, exports of services are also set to remain robust. Inflation is expected to decline. The government budget is forecast to register noticeable surpluses, supported by continued strong growth in revenues. The debt-to-GDP ratio continues to decrease and is projected to move below 60% this year.

Robust economic growth to continue

Real GDP grew by 3.4% in 2024, mainly driven by private consumption, which increased by 3.8%. Investment also picked up, growing by 2.5% (excluding ship registrations), despite a slowdown in the fourth quarter linked to a strike in the construction sector. Net exports turned positive, supported by strong surpluses in ICT, tourism and sea transport services.

Growth is set to remain robust at 3% in 2025 and 2.5% in 2026. Private consumption is expected to remain the key driver of growth as household purchasing power continues to increase, in conjunction with solid wage growth and abating inflation. Net exports are also projected to remain strong thanks to services sectors such as tourism and ICT. Investment is set to accelerate, supported by funds from the RRF and the continuation of large construction projects.

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



The ongoing transformation of the economy is expected to translate into strong investment flows into emerging sectors such as ICT, which also contribute to productivity gains. However, the growing presence of foreign-owned companies, and the resulting repatriation of their profits, is expected to partially offset improvements in the trade balance. Still, the current account deficit is projected to narrow to 5.9% of GDP by 2026.

Economic uncertainty remains the main downside risk. Cyprus's limited goods trade with the US suggests only marginal direct impact from the recent tariffs. However, indirect negative spillovers resulting from global trade disruptions remain a risk. This is particularly the case given the importance of the sea transport sector for the Cypriot economy, which is more exposed to international trade fluctuations.

Labour market pressures weaken

The unemployment rate fell to a 15-year low of 4.7% in 2024-Q4, without significant signs of unmet labour demand. This is partly due to the inflows of foreign workers following the so-called 'headquartering policies', designed to attract international companies and relocate headquarters to Cyprus. These inflows are expected to gradually reduce, as the initial wave of corporate interest has largely materialised. With growth moderating slowly and labour needs diminishing as a result, pressure on the labour market is expected to remain limited.

Inflation to hit 2%.

Food and tourism prices showed marked increases in early 2025, reflecting the delayed passthrough of wage growth and strong tourist demand. These temporary inflationary pressures are expected to gradually subside as wage growth normalises and goods prices, including energy, moderate. HICP inflation is projected to converge to 2% by 2026.

Fiscal outlook remains bright

In 2024, Cyprus reached a general government headline surplus of 4.3% of GDP, with revenues growing stronger than expenditures. In 2025, the government surplus is projected to remain solid and reach 3.5% of GDP. Continued strong economic growth is expected to contribute to revenues growing at a faster pace than expenditures, despite several new or increasing expenditure measures. These include the participation of the State in the construction of a terminal for receiving liquified natural gas and of the Great Sea Interconnector for gas. These also include social initiatives like the solidarity fund to compensate people who lost their savings during the financial crisis of 2012-2013, as well as a mortgage-to-rent scheme that allows overindebted households to stay in their property while transforming their loan into rent payments.

In 2026, the overall picture is forecast to remain broadly unchanged, and the government headline balance is projected to achieve a surplus of 3.4% of GDP.

The government debt-to-GDP ratio dropped by more than 8 pps. down to 65.3% at the end of 2024. This trend is supported by the continued government headline surpluses. Government debt is projected to fall to 58.0% of GDP by the end of 2025 and to 51.9% in 2026. With this fiscal outlook the risks for public finances appear contained.

Table III.10.1: **Main features of country forecast - CYPRUS**

		2024		Annual percentage change						
	mio EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		33567.7	100.0	1.9	11.4	7.2	2.8	**3.4**	**3.0**	**2.5**
Private Consumption		19764.6	58.9	1.8	4.7	9.8	5.9	**3.8**	**2.5**	**2.2**
Public Consumption		6241.8	18.6	2.6	8.9	4.7	1.2	**1.5**	**3.7**	**2.5**
Gross fixed capital formation		6887.2	20.5	1.9	1.9	10.8	10.7	**0.1**	**3.5**	**3.0**
Exports (goods and services)		32457.1	96.7	4.3	27.2	27.1	-2.8	**5.3**	**3.7**	**3.5**
Imports (goods and services)		31254.0	93.1	4.2	19.6	29.7	-0.7	**2.4**	**3.6**	**3.5**
GNI (GDP deflator)		30394.2	90.5	2.5	8.8	8.3	0.9	**3.6**	**3.0**	**2.6**
Contribution to GDP growth:	Domestic demand			2.1	5.0	8.5	5.8	**2.6**	**2.8**	**2.3**
	Inventories			-0.1	0.6	-0.4	-0.8	**-2.0**	**0.0**	**0.0**
	Net exports			0.0	5.8	-0.9	-2.2	**2.8**	**0.2**	**0.2**
Employment				1.5	2.9	4.0	1.4	**2.0**	**1.3**	**1.1**
Unemployment rate (a)				9.0	7.2	6.3	5.8	**4.9**	**4.7**	**4.6**
Compensation of employees / head				1.5	4.6	7.3	5.0	**4.5**	**3.6**	**3.3**
Unit labour costs whole economy				1.1	-3.4	4.1	3.7	**3.1**	**1.9**	**1.9**
Saving rate of households (b)				6.0	15.0	12.3	9.9	**10.0**	**11.0**	**11.9**
GDP deflator				1.1	3.0	6.7	3.8	**3.5**	**2.6**	**2.3**
Harmonised index of consumer prices				1.1	2.3	8.1	3.9	**2.3**	**2.0**	**2.0**
Terms of trade goods				0.3	-0.3	-2.1	1.1	**0.5**	**-0.6**	**-0.2**
Trade balance (goods) (c)				-22.1	-16.9	-19.7	-23.7	**-20.4**	**-19.9**	**-19.7**
Current-account balance (c)				-8.4	-5.4	-5.4	-9.5	**-7.0**	**-6.5**	**-5.9**
General government balance (c)				-3.2	-1.6	2.7	1.7	**4.3**	**3.5**	**3.4**
Fiscal stance (c)				-0.4	0.2	1.3	-2.7	**1.9**	**-1.1**	**0.6**
Structural budget balance (d)				1.8	-2.6	0.3	0.1	**2.9**	**2.4**	**2.6**
General government gross debt (c)				83.5	96.5	81.1	73.6	**65.0**	**58.0**	**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.

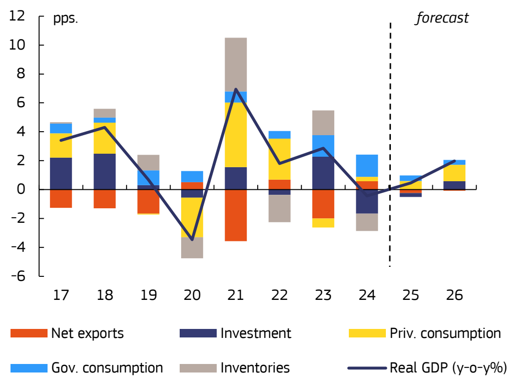
11. LATVIA

Latvia's GDP growth is expected to remain weak in 2025. Private consumption is set to slowly accelerate driven by wage growth, whereas government consumption is projected to remain strong. The economy is forecast to pick up in 2026 driven by private consumption and investments, with GDP growth reaching 2%. After a strong decline in 2024, inflation is set to rebound as the deflationary impact from energy prices fades away while services and processed food inflation remains strong. Inflation is expected to increase from 1.4% in 2024 to 3% in 2025, before falling to 1.7% in 2026. After an increase in 2024, unemployment is projected to decrease slightly in 2025 and further in 2026. The general government deficit is forecast to increase to 3.1% of GDP in 2025 driven by weaker revenue growth and increasing current expenditure and remain at 3.1% of GDP in 2026.

Private and public consumption set to drive growth in 2025 and 2026

In 2024, real GDP fell by 0.4%. This was mostly due to the adverse geopolitical context and increasing uncertainty weighing on consumption and especially investment. Supported by strong wage growth, private consumption recovered from its contraction in 2023 but remained weak (0.5%). Private investments were also hampered by high financing costs while public investments, in particular EU co-financed programmes, faced delays. As a result, after solid growth in 2023 (9.9%), investment significantly declined in 2024 (-6.7%). Goods and services export growth was negative in 2024 due to a weak external environment and a deterioration in cost competitiveness. Strong growth of public consumption provided support to the economy.

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



In 2025, the economy is expected to recover slowly from the 2024 contraction. Real disposable incomes and private consumption are set to benefit from solid wage growth and the expected increase in disposable income due to the tax reform. However, increasing uncertainty amid a challenging geopolitical context is set to encourage precautionary savings. After a sharp increase in 2024, the savings rate is thus projected to remain at 7.5%. Investments are expected to recover due to EU fund inflows and increasing spending on defence. However, due to a strong negative carry-over and persistent uncertainties, investments are set to decrease by 1.2% in 2025 before recovering in 2026 (2.6%). Public consumption is set to remain strong. After two years of decline, exports are set to recover this year, but only gradually due to the adverse impact of US tariffs that weigh on Latvia's main trading partners. Overall, real GDP growth is projected to reach 0.5% in 2025, before picking up further to 2% in 2026.

Labour market expected to remain tight

As the economy slightly contracted in 2024, the unemployment rate increased to 6.9%. With a slow recovery expected in 2025, the unemployment rate is forecast to edge down to 6.8% in 2025 and decrease further in 2026 on the back of increasing labour demand. After having reached 7.7% in 2024 in nominal terms, growth of compensation per employee is set to stay strong in 2025 at 5.5% and in 2026 at 4.5%, supported by increases in the minimum wage and in public wages, and driven by labour market tightness.

Inflation set to increase

In 2024, energy prices declined fast, fuelling a rapid decrease of HICP inflation, which reached 1.4%. However, inflation surged in the last months of the year due to high inflation in the services and food (both processed and unprocessed) component. In the last quarter of 2024, inflation increased to 2.6%. As services' inflation is expected to remain strong, driven by wage growth, inflation is set to reach 3% in 2025 and 1.7% in 2026. Although services and processed food prices are set to moderate in 2026, headline inflation excluding energy and unprocessed food is expected to remain above HICP inflation in 2025 and 2026.

Deficit to increase over forecast horizon

In 2024, the general government deficit stood at 1.8% of GDP, down from 2.4% of GDP in 2023. The reduction in the deficit was mainly due to the strong growth of tax revenue, which exceeded GDP growth. The introduction of corporate income tax advance payments from the financial sector, increases in several excise duties, and additional dividend payments from state-owned companies contributed to the increase in revenue. The lower growth of general government expenditure in 2024 was driven by the phase-out of measures to mitigate the impact of high energy prices.

In 2025, the government deficit is forecast to increase to 3.1% of GDP. Revenues are expected to be negatively affected by a reduction in income tax revenue, due to the reform of the personal income tax system, and a decline in property income, primarily due to the normalisation of profitability of state-owned companies in the energy and forestry sectors, as a result of lower energy prices. On the expenditure side, growth of compensation of employees, interest payments and social transfers are the main factors behind the increase in deficit.

In 2026, the government deficit is forecast to remain at 3.1% of GDP. Both revenue and expenditure are expected to grow at a rate below that of nominal GDP. Revenue growth is expected to be subdued due to a projected further downward adjustment in property income, as well as lower current transfers. The expected increase of defence investment is offset by a reduction in current expenditure while other capital expenditure provides a slight deficit-reducing contribution. The debt-to-GDP ratio reached 46.8% in 2024 and is forecast to increase to 48.6% in 2025 and further to 49.3% in 2026, as a result of stock-flow adjustments and budget deficits.

Table III.11.1: **Main features of country forecast - LATVIA**

		2024		Annual percentage change						
		mio EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		40208.4	100.0	2.1	6.9	1.8	2.9	**-0.4**	**0.5**	**2.0**
Private Consumption		24104.5	59.9	2.1	8.1	5.1	-1.0	**0.5**	**1.0**	**1.9**
Public Consumption		8629.1	21.5	1.3	3.7	2.4	7.0	**7.6**	**1.7**	**1.5**
Gross fixed capital formation		9288.7	23.1	0.9	6.8	-1.6	9.9	**-6.7**	**-1.2**	**2.6**
Exports (goods and services)		25983.4	64.6	5.6	9.1	11.4	-4.7	**-1.6**	**1.8**	**2.0**
Imports (goods and services)		27012.8	67.2	4.0	15.1	9.9	-2.0	**-2.3**	**2.1**	**2.1**
GNI (GDP deflator)		39225.1	97.6	2.3	4.9	1.9	2.2	**-0.5**	**-0.1**	**1.5**
Contribution to GDP growth:	Domestic demand			2.3	6.8	3.0	3.1	**0.2**	**0.7**	**2.0**
	Inventories			0.0	3.7	-1.9	1.7	**-1.2**	**0.0**	**0.0**
	Net exports			0.0	-3.6	0.7	-2.0	**0.6**	**-0.2**	**-0.1**
Employment				-0.3	-1.3	0.2	0.1	**-0.9**	**-0.4**	**-0.4**
Unemployment rate (a)				10.8	7.6	6.9	6.5	**6.9**	**6.8**	**6.6**
Compensation of employees / head				8.5	7.6	13.1	15.6	**9.1**	**5.5**	**4.5**
Unit labour costs whole economy				6.0	-0.7	11.3	12.5	**8.5**	**4.6**	**2.1**
Saving rate of households (b)				5.0	10.4	3.1	5.4	**7.5**	**7.5**	**7.7**
GDP deflator				4.3	3.3	9.8	6.0	**2.6**	**3.9**	**2.8**
Harmonised index of consumer prices				3.5	3.2	17.2	9.1	**1.3**	**3.0**	**1.7**
Terms of trade goods				1.1	0.2	-3.3	2.9	**0.9**	**0.1**	**1.3**
Trade balance (goods) (c)				-13.2	-8.6	-11.4	-9.3	**-8.2**	**-8.5**	**-7.9**
Current-account balance (c)				-4.0	-4.1	-5.5	-3.9	**-3.3**	**-3.9**	**-3.5**
General government balance (c)				-2.6	-7.2	-4.9	-2.4	**-1.8**	**-3.1**	**-3.1**
Fiscal stance (c)				-0.6	-1.3	-1.6	-1.2	**0.0**	**-1.1**	**-0.3**
Structural budget balance (d)				-1.6	-7.3	-4.8	-2.6	**-1.6**	**-2.6**	**-2.9**
General government gross debt (c)				34.6	45.9	44.4	44.6	**46.8**	**48.6**	**49.3**

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

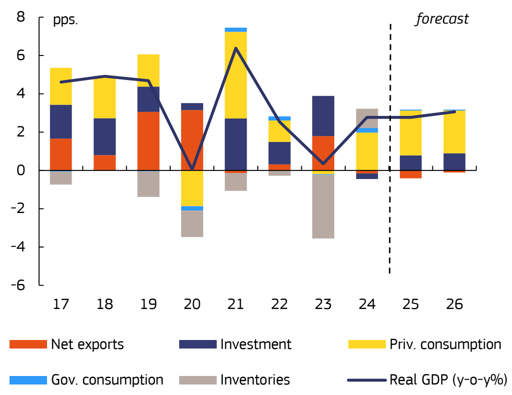
12. LITHUANIA

Lithuania's economy is expected to continue growing over the forecast horizon, supported by robust private consumption, a modest recovery in investment, and buoyant exports. However, global trade tensions and uncertainty, in addition to the adverse geopolitical context, are set to have a limiting effect on goods exports, consumption, investments and prices. Real GDP is expected to grow by 2.8%. in 2025 and pick up to 3.1% in 2026. Inflation is expected to rise to 2.6% in 2025 driven by an increase in energy and food prices in the early months of the year but ease to 1.2% in 2026, supported by lower commodity prices. The general government deficit is projected to increase from 1.3% in 2024 to 2.3% in 2025 and to stay constant in 2026.

Economic activity to continue growing despite some limiting factors

Consumption and investment developments at the end of 2024 had a large positive effect in 2024, leading to 2.8% growth, and a positive carry-over effect into 2025.

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



In 2025 and 2026, continued real wage growth is supporting private consumption, although geopolitical uncertainty and an increase in excise duties from the beginning of 2025 somewhat reduce expected consumption growth. The savings rate is set to continue its increase to historically high rates of around 12-13% of disposable income, while investment is projected to recover, given investments supported by the RRF and in defence. Nevertheless, the climate of high uncertainty is likely to limit the growth in private investment, especially during 2025, leading to 3.5% and 4% growth of total investment over the forecast horizon. Goods exports are expected to return to growth, despite tariff developments are expected to weigh on the growth of exports in goods as Lithuania's direct exposure to the US remains limited (around 5 of total exports in 2024) and Lithuania remains competitive with its main trading partners. As services remain robust and goods recover given improvements in export markets and resilient non-cost competitiveness, total exports are set to grow between 3% and 3.5% in 2025 and 2026. On the other hand, strong consumption is expected to imply that imports continue to slightly outpace exports.

Labour market set to gradually tighten again

The growth in the labour force between 2022 and 2024, in large part attributable to the inflow of persons fleeing from Ukraine, is likely to cease in 2025 and 2026, as natural population decline resumes in 2026. As economic activity continues to grow, the unemployment rate is expected to gradually decrease to 6.8% in 2025 and 6.6% in 2026. The persistence of labour and skills mismatches is expected to support continued wage growth at around 7.5% in 2025 and gradually decelerating close to 7% in 2026. A slower pace is expected compared to previous years given lower inflation rates and recently high wage gains.

Inflation expected to pick up but remain limited by trade and oil price developments

HICP inflation is expected to increase to 2.6% in 2025 following a jump in energy and food prices in the early months of the year, increased excise duties on petrol, alcohol and cigarettes, and sustained by continued services inflation. However, commodity prices are set to decline in 2025, as oil prices counteract increasing gas and electricity prices, and recover very slowly at the end of 2026. The rest of the components of HICP are set to increase only gradually in 2026 and services price inflation is expected to progressively slow over the horizon to around 4% by the end of 2026, following the normalisation of wage growth. The additional impact of trade tensions is set to bring HICP down to 1.2% in 2026.

General government deficit set to increase

In 2024, the general government deficit increased moderately to 1.3% of GDP (from 0.7% in 2023), due to increases in public wages, interest expenditure and social spending, as well as intermediate consumption expenditure increases related to carry over of projects and expenditure initially planned for 2023.

In 2025, the deficit is projected to continue to increase to 2.3% of GDP, driven by rising general government expenditure (by 2.1 pps. of GDP), while revenue is expected to increase at a slower pace (by 1.1 pps. of GDP). The main contributor to the rising deficit is the increase in expenditure related to the social benefits (pensions included), which is projected to rise by 1.0 pps. of GDP, mainly due to the annual indexation of public pensions as well as an increase in the 'minimum consumption basket', to which many social benefits are associated. An increase in public investments (0.7 pps. of GDP, out of which 0.3 pps. is driven by the projected increase in defence investments), intermediate consumption (0.3 pps. of GDP), public wages (0.2 pps. of GDP), and interest expenditure (0.2 pps. of GDP) are the other major contributors to higher expenditure. General government revenue is forecast to increase mainly due to the increase in VAT and excise duties for polluting fuels as well as increasing revenues from the social security contributions, but the projected increase is not expected to cover for the higher expenditure.

The deficit is expected to remain constant at 2.3% of GDP in 2026. The general government expenditure is projected to increase by 0.3 pps of GDP in comparison to 2025, which is expected to be almost fully matched by the projected revenue increase of 0.2 pps of GDP.

In 2024, public debt increased to 38.2% of GDP. In 2025 and 2026, the debt-to-GDP ratio is projected to increase further, reaching 41.2% and 43.9%, respectively, due to the rising deficit in 2025 and high stock flow adjustments in 2025 and 2026 which are needed mostly to compensate the significant deficits in the state budget as the surpluses in the Social Security Fund cannot be used for this purpose.

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

		2024		Annual percentage change						
		bn EUR Curr. prices	**% GDP**	**05-20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
GDP		78.4	100.0	3.1	6.4	2.5	0.3	**2.8**	**2.8**	**3.1**
Private Consumption		43.6	55.6	2.5	8.1	2.0	-0.3	**3.5**	**4.2**	**4.0**
Public Consumption		14.7	18.8	0.2	1.2	1.2	-0.2	**1.4**	**0.3**	**0.2**
Gross fixed capital formation		17.6	22.5	3.9	12.6	5.2	9.3	**-1.3**	**3.5**	**4.0**
Exports (goods and services)		58.1	74.1	7.1	16.6	12.4	-3.4	**2.1**	**3.0**	**3.3**
Imports (goods and services)		54.1	68.9	5.6	19.2	12.7	-5.3	**2.4**	**3.9**	**3.7**
GNI (GDP deflator)		76.2	97.1	3.1	5.6	1.9	1.3	**3.0**	**2.9**	**3.1**
Contribution to GDP growth:	Domestic demand			2.7	7.4	2.5	1.9	**1.9**	**3.2**	**3.2**
	Inventories			-0.1	-0.9	-0.3	-3.3	**1.0**	**0.0**	**0.0**
	Net exports			0.7	-0.1	0.3	1.8	**-0.2**	**-0.4**	**-0.1**
Employment				-0.2	1.3	4.9	1.4	**1.7**	**0.4**	**0.3**
Unemployment rate (a)				9.5	7.1	6.0	6.9	**7.1**	**6.8**	**6.6**
Compensation of employees / head				7.3	11.8	11.6	11.9	**9.1**	**7.6**	**7.2**
Unit labour costs whole economy				3.8	6.5	14.2	13.1	**8.0**	**5.0**	**4.3**
Saving rate of households (b)				0.2	10.1	4.7	6.8	**11.4**	**12.8**	**14.1**
GDP deflator				3.3	6.0	16.1	9.0	**3.4**	**3.6**	**2.4**
Harmonised index of consumer prices				2.9	4.6	18.9	8.7	**0.9**	**2.6**	**1.2**
Terms of trade goods				0.3	-6.4	-11.1	5.4	**2.9**	**0.1**	**0.3**
Trade balance (goods) (c)				-6.6	-5.1	-10.9	-6.2	**-6.0**	**-6.7**	**-6.9**
Current-account balance (c)				-2.3	1.4	-6.1	1.1	**2.6**	**2.0**	**1.9**
General government balance (c)				-2.5	-1.2	-0.7	-0.7	**-1.3**	**-2.3**	**-2.3**
Fiscal stance (c)				-1.3	2.4	0.8	0.0	**-1.6**	**-1.7**	**0.0**
Structural budget balance (d)				-1.8	-1.9	-1.3	0.0	**-0.6**	**-1.6**	**-2.0**
General government gross debt (c)				32.7	43.3	38.1	37.3	**38.2**	**41.2**	**43.9**

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

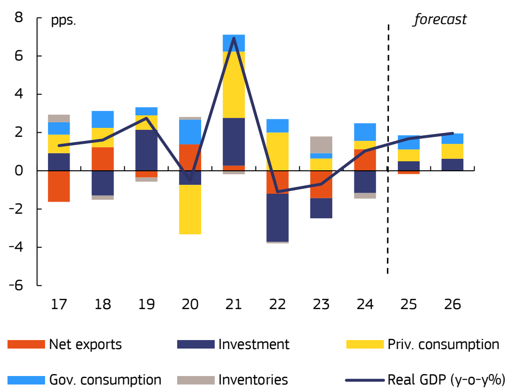
13. LUXEMBOURG

After expanding to 1% in 2024, real GDP growth in Luxembourg is projected to pick up to 1.7% in 2025 and 2.0% in 2026. Growth is expected to be mainly supported by domestic demand in 2025 while the contribution from net exports is due to turn positive only in 2026. Headline inflation is set to decelerate thanks to a gradual reduction of energy inflation. Windfall revenues led to a substantial surplus of the general government balance in 2024, which is expected to turn to a deficit in 2025.

Growth to slightly rebound in 2025

Real GDP expanded by 1% in 2024 thanks mainly to a positive contribution of net exports while investment decreased significantly following a fall in construction projects (both dwellings and non-residential) and equipment acquisitions. In terms of real gross value added, the human health and social work activities together with public administration sectors contributed the most to growth while the construction, financial and insurance activities sectors contributed negatively.

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



In 2025 and 2026, economic growth is expected to accelerate, as the fallout from trade restrictions initiated by the hike in US tariffs is foreseen to be more than compensated by the recovery of investment. The consumer confidence indicator points towards a mild recovery in consumption supported by an expansionary fiscal stance and falling interest rates, which underpin investment. A wage indexation that occurred in May 2025 should further support private demand, while the recent increase in the number of transactions in both new and existing construction and in mortgage demand indicate a recovery in investment in dwellings which is set to further accelerate in 2026. Credit to companies is projected to pick up from the current low level, benefiting both from lower short-term interest rates and from the realisation of delayed equipment investment projects. On the net exports side, while a financial services recovery started in 2024 thanks to a pick-up in investment fund revenues, uncertainty surrounding global trade is set to weaken the prospects of the sector and weigh on the contribution from net exports throughout 2025. In 2026, domestic demand is expected to continue to support the economy, while a stabilising international trade situation should support exports.

Labour market set to recover slightly

Following a slowdown in 2024, employment growth is forecast to accelerate to 1.3% in 2025 as leading indicators signal that the labour market will become tighter and 1.7% in 2026. The unemployment rate is expected to peak at 6.6% in 2025 before edging down to 6.4% in 2026 as employment recovers somewhat.

Inflation expected to normalise in 2025

Headline inflation is set to drop to 2.1% in 2025 owing to decelerating food and services prices while energy prices are expected to rebound slightly following the end of the energy price cap and the introduction of a new tariff on electricity grids. Headline inflation is projected to further decrease to 1.8% in 2026 as the inflation of energy, food and services are forecast to decelerate. Consequently, HICP inflation excluding energy, food, alcohol and tobacco is expected to decrease to 2.0% in 2025 and, to 1.8% in 2026.

General government balance to turn in a deficit over the forecast horizon

In 2024, the general government balance turned to a surplus of 1.0% of GDP from a deficit of 0.8% of GDP in 2023. Total revenues increased sharply in 2024, in spite of the budgetary impact of measures to support households' purchasing power, the competitiveness of enterprises and the construction sector. Measures included an upward adjustment of personal income tax brackets following several wage indexations and a reduction in social security contributions for companies, which have been estimated to shave off revenues. Windfall revenues from taxes on income and wealth, notably from corporate taxes, and a surge in the property income from state-owned assets mostly explain the buoyant revenues collection. Expenditure growth slowed down compared to the previous year on the back of a less inflationary environment, in which the automatic indexation of wages and social transfers was not triggered. The implementation of the provisional so-called twelfths' system in the first part of the year also contributed to the slowdown of expenditure.

In 2025, the general government balance is projected to turn to a deficit of 0.4% of GDP, also on the back of an expansionary fiscal stance. In spite of the expected rebound in economic activity, revenues from direct taxes are projected to come in at a slower pace than in the previous year, due to lower windfall revenues and to the impact of the additional set of government measures to support households and companies, including a further indexation of tax brackets and a reduction of the corporate income tax rate. Moreover, the implementation of the wage agreement in the public sector and of the automatic indexation of wages and social transfers is projected to put upward pressure on public expenditure, the growth of which is set to accelerate.

The deficit is set to slightly widen to 0.5% of GDP in 2026, as expenditure growth is expected to outpace revenue growth. Public investment is projected to remain at a high level over the forecast horizon and support the digital and green transition. The interest rate expenditure increased to 0.3% of GDP in 2024, and it is expected to remain stable at this level in 2025 and 2026.

In spite of the large government surplus, in 2024 the debt-to-GDP ratio increased to 26.3%. Government debt as percent of GDP is then expected to decline to 25.7% in 2025 before increasing again to 26.2% of GDP in 2026.

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

		2024			Annual percentage change					
	mio EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		86104.0	100.0	2.3	6.9	-1.1	-0.7	**1.0**	**1.7**	**2.0**
Private Consumption		27795.0	32.3	1.8	11.4	6.6	2.0	**1.3**	**2.0**	**2.4**
Public Consumption		17039.2	19.8	3.1	4.8	4.0	1.5	**4.9**	**4.4**	**2.6**
Gross fixed capital formation		12344.5	14.3	2.1	14.6	-13.9	-6.4	**-7.3**	**2.5**	**3.9**
Exports (goods and services)		185556.3	215.5	4.1	11.3	1.5	-0.3	**0.3**	**3.1**	**3.2**
Imports (goods and services)		157334.1	182.7	4.4	13.4	2.4	0.4	**-0.3**	**3.8**	**3.8**
GNI (GDP deflator)		60862.8	70.7	0.8	4.5	-5.5	6.5	**2.9**	**0.5**	**1.4**
Contribution to GDP growth:	Domestic demand			1.5	6.8	0.2	-0.1	**0.2**	**1.9**	**1.9**
	Inventories			0.1	-0.2	-0.1	0.9	**-0.3**	**0.0**	**0.0**
	Net exports			0.8	0.3	-1.2	-1.4	**1.1**	**-0.2**	**0.1**
Employment				2.9	2.9	3.3	2.1	**1.1**	**1.3**	**1.7**
Unemployment rate (a)				5.4	5.3	4.6	5.2	**6.4**	**6.6**	**6.4**
Compensation of employees / head				2.5	5.3	4.5	2.4	**2.2**	**3.8**	**3.3**
Unit labour costs whole economy				3.1	1.3	9.1	5.4	**2.3**	**3.3**	**3.1**
Saving rate of households (b) (e)				13.5	18.0	13.4	:	**:**	**:**	**:**
GDP deflator				2.9	5.9	6.2	6.3	**5.2**	**2.5**	**2.8**
Harmonised index of consumer prices				1.9	3.5	8.2	2.9	**2.3**	**2.1**	**1.8**
Terms of trade goods				0.7	1.2	-6.3	1.0	**-0.9**	**0.8**	**1.3**
Trade balance (goods) (c)				1.0	0.5	-0.6	1.5	**1.7**	**1.5**	**2.1**
Current-account balance (c)				3.8	1.2	-3.9	-0.6	**2.3**	**0.8**	**0.3**
General government balance (c)				1.2	1.0	0.2	-0.8	**1.0**	**-0.4**	**-0.5**
Fiscal stance (c)				-1.0	0.8	-1.4	-2.1	**0.3**	**-1.1**	**-0.4**
Structural budget balance (d)				1.7	0.4	0.8	0.8	**2.7**	**1.0**	**0.6**
General government gross debt (c)				17.9	24.2	24.9	25.0	**26.3**	**25.7**	**26.2**

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP. (e) Due to known issues with the household sector compensation of employees (ESA code D1) data for Luxembourg, which will be addressed by the national Statistical Institute only later in 2025, figures for D1 or depending on D1 in their compilation (e.g. the saving rate of households) will not be published in the present forecast (for years 2023-2026).

14. MALTA

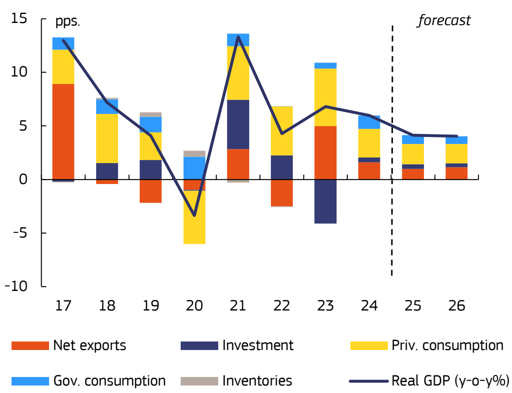
Malta's economy is expected to sustain its growth momentum in 2025, driven by robust domestic consumption and positive net exports. Following a notable 6.0% expansion in GDP in 2024, the Maltese economy is expected to grow by 4.1% in 2025 and 4.0% in 2026. The labour market is projected to stabilise and inflation to slow down. On the fiscal front, the government deficit narrowed to 3.7% of GDP in 2024, and is expected to decline further, going below the 3.0% threshold in 2026, with the debt ratio stabilising below 48% of GDP.

Growth outlook remains upbeat

Real GDP in 2024 grew by outstanding 6%, 1.0 pps. higher than expected in autumn, on the back of robust private and public consumption and positive contribution from net exports, namely by the tourism and financial and professional services sectors.

As inflation slowed down, real households' incomes grew and private consumption exhibited an expansion of 5.7%, while government consumption rose by 7.3%, giving a substantial boost to overall GDP growth.

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



Services exports remain a strong growth factor in Malta, driving the positive net trade contribution to GDP. During 2024, total tourist expenditures in Malta grew by a remarkable 23.1% compared to 2023, when the tourist flows already exceeded the pre-pandemic levels. Other service-oriented sectors such as recreational, professional, IT, and financial services expanded as well. Concerning the uncertainty in the international environment, Malta's economy has a limited exposure to shocks in goods trade and is set to benefit from lower international commodity prices. Investment growth recovered by 2.4% in 2024 after a sharp drop in 2023.

Real GDP growth in Malta is forecast to slow down somewhat but to remain robust, at 4.1% in 2025 and 4.0% in 2026. Private consumption is expected to grow at 4.1% in 2025 and 3.9% in 2026, continuing to provide the biggest impulse to economic expansion. Net exports and investment are also expected to continue to provide a positive contribution. In particular, investment is forecast to increase by 2.5% in 2025 and 2.1% in 2026. These rates, however, are visibly below their long-term average.

Employment growth is expected to stabilise

Employment grew by 5.1% in 2024, still supported by strong immigration flows to fill the domestic labour shortages. Nonetheless, employment growth is expected to decelerate towards pre-pandemic growth rates, reaching 3.1% in 2025 and 2.8% in 2026. The unemployment rate is set to remain low at 3.1% in 2025 and 2026. In this tight labour market environment, the nominal wage growth per employee is forecast to exceed inflation and grow by 4.1% in 2025 and 3.5% in 2026.

Inflation slows in line with the global expectations

Inflation in 2024 slowed to 2.4%. and is forecast to reach 2.2% in 2025 and 2.1% in 2026, with food and services inflation set to be the main contributors. Energy prices are expected to remain stable as Maltese authorities continue to maintain energy prices at 2020 levels.

The government deficit is set to decline

In 2024, the general government deficit fell to 3.7% of GDP, from 4.7% in 2023, due mainly to the increase of taxes on income and wealth driven by non-recurrent transactions as well as gains related to an improved tax collection. This was partially compensated by an increase of current expenditures and of other capital expenditures related to the national airline.

In 2025, the deficit is forecast to decrease further to 3.2% of GDP. This is mainly driven by a decrease in other capital expenditures due to the expiry of costs related to the national airline. Subsidies are expected to further drop as percentage of GDP while the measures to mitigate the impact of high energy prices are projected to remain unchanged in nominal terms, thereby declining as a share of GDP. Social expenditures are also expected to decline somewhat as a share of GDP. This is projected to be partially compensated by decreasing revenues from personal income taxes, due to a comprehensive reform of income brackets. Based on unchanged policies, the deficit is set to decline to 2.8% of GDP in 2026 mainly reflecting a further decrease of subsidies as a share of GDP and the higher growth rate of revenues compared to the growth rate of nominal GDP.

The public debt-to-GDP ratio is expected to broadly stabilise over the forecast horizon below 48% of GDP.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		22.5	100.0	4.5	13.3	4.3	6.8	**6.0**	**4.1**	**4.0**
Private Consumption		10.5	46.6	2.4	11.8	11.1	12.2	**5.7**	**4.1**	**3.9**
Public Consumption		3.9	17.2	5.2	6.0	0.1	3.1	**7.3**	**4.7**	**4.2**
Gross fixed capital formation		4.0	17.9	5.2	22.2	9.8	-17.0	**2.4**	**2.5**	**2.1**
Exports (goods and services)		27.7	123.5	8.6	-0.4	13.7	5.6	**5.3**	**3.5**	**2.9**
Imports (goods and services)		23.8	106.1	7.9	-2.8	18.4	2.0	**4.7**	**3.1**	**2.4**
GNI (GDP deflator)		19.5	86.6	3.7	12.0	2.3	7.4	**5.9**	**4.6**	**3.8**
Contribution to GDP growth:	Domestic demand			3.4	10.8	6.8	1.8	**4.4**	**3.1**	**2.9**
	Inventories			0.0	-0.3	-0.1	0.0	**0.0**	**0.0**	**0.0**
	Net exports			1.2	2.8	-2.5	5.0	**1.6**	**1.0**	**1.1**
Employment				3.2	2.8	4.9	6.8	**5.1**	**3.1**	**2.8**
Unemployment rate (a)				5.7	3.8	3.5	3.5	**3.1**	**3.1**	**3.1**
Compensation of employees / head				3.7	4.9	5.0	2.3	**5.9**	**4.1**	**3.5**
Unit labour costs whole economy				2.4	-4.8	5.7	2.3	**5.0**	**3.1**	**2.2**
Saving rate of households (b)				6.4	20.2	13.2	11.4	**:**	**:**	**:**
GDP deflator				2.4	2.4	5.1	5.3	**3.2**	**2.5**	**2.2**
Harmonised index of consumer prices				1.8	0.7	6.1	5.6	**2.4**	**2.2**	**2.1**
Terms of trade goods				0.5	0.2	1.3	0.7	**0.2**	**0.1**	**0.0**
Trade balance (goods) (c)				-16.0	-12.1	-17.5	-15.4	**-11.8**	**-11.5**	**-11.1**
Current-account balance (c)				0.3	3.6	-1.8	4.6	**3.6**	**3.7**	**3.4**
General government balance (c)				-1.8	-7.0	-5.2	-4.7	**-3.7**	**-3.2**	**-2.8**
Fiscal stance (c)				0.6	-2.9	-0.3	0.4	**-1.3**	**1.9**	**0.8**
Structural budget balance (d)				-1.0	-7.0	-4.5	-4.4	**-3.6**	**-3.0**	**-2.3**
General government gross debt (c)				58.3	49.8	49.5	47.9	**47.4**	**47.6**	**47.3**

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

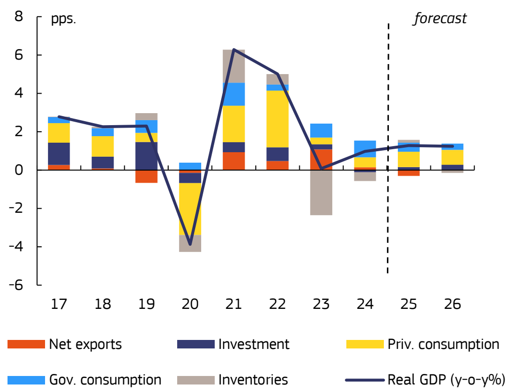
15. THE NETHERLANDS

Real GDP growth in the Netherlands is forecast to pick up to 1.3% in 2025, driven by domestic demand and despite the US tariffs weighing on trade. Substantial wage growth and the resulting expansion of real disposable income is expected to drive a strong increase in private consumption. The US tariffs on the other hand are projected to reduce export growth. In 2026, GDP growth is set to come down to 1.2% as the negative impact of decreased trade and high uncertainty persists. Growth in domestic demand is set to moderate because of the increased uncertainty and somewhat lower real wage growth. The government deficit is forecast to increase to 2.1% in 2025 and to widen further in 2026.

Domestic demand to drive economic growth

Wage growth in the Netherlands accelerated to well above 6% in 2024 and is forecast to remain robust in 2025. This is set to improve households' real disposable income by more than 3% in 2025 and drive strong growth in private consumption. Domestic demand is further supported by an ambitious public investment agenda in, among others, the areas of defence, the green transition and the housing market. At the same time, economic uncertainty has increased substantially because of the US tariffs and the potential retaliatory actions by trading partners. This uncertainty is expected to affect business investment spending while consumers are assumed to slightly increase their precautionary savings.

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



The imposition of US tariffs is also projected to lower both export and import growth in 2025. With about 5% of total Dutch goods exports going to the US, the negative impact of the tariffs on total trade is estimated to be relatively small. However, certain sectors, such as the (relatively large) steel industry and the machinery and vehicle sectors, are set to be disproportionately affected. Overall, real GDP growth in 2025 is forecast at 1.3%.

In 2026, real GDP growth is forecast to come down to 1.2% as the negative impact from the tariffs and increased uncertainty persist while growth in domestic demand slows down somewhat.

Labour market tightness is easing somewhat

The number of vacancies well exceeded the number of unemployed in the past three years, but this ratio has gradually become more balanced and reached parity in the first quarter of 2025. Employment growth has been slowing down in recent months, and the unemployment rate has increased from 3.6% in mid-2024 to 3.8% in early 2025. Going forward, the slowdown in employment growth is set to result in a marginal pick up in unemployment from 3.7% in 2024 to 3.9% in 2025 and 4.0% in 2026. Nominal wage growth reached 6.4% in 2024 and is expected to remain elevated going forward, though slowly easing to 5.1% in 2025 and 3.7% in 2026.

Inflation remains relatively high

HICP inflation in the first quarter of 2025 was 3.3%, higher than a year earlier (3%). The relatively high inflation in the Netherlands is caused by high services and processed food inflation. Strong growth in nominal wages and rental prices drove the increase in services inflation, while an increase in excise duties on (among others) tobacco led to a surge in processed food price inflation. As wage growth remains substantial in 2025, services inflation is projected to only come down gradually. At the same time, processed food inflation is also expected to remain elevated, only coming down more substantially as of mid-2025 when the effects of last year's tax increase dissipate. At the same time, energy price futures signal a decrease in oil, gas and electricity prices. Overall, annual HICP inflation is forecast at 3.0% in 2025 and 2.0% in 2026.

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

The general government deficit increased to 0.9% of GDP in 2024, up from 0.4% in 2023. The general government balance was affected by compensation payments to taxpayers following a court ruling invalidating the wealth tax based on assumed rather than actual returns.

In 2025, the deficit is set to increase to 2.1%. On the revenue side, this is driven by structural cuts in personal income taxation, with a budgetary impact of 0.3% of GDP as of 2025. At the same time, expenditure is projected to grow as public investments are expected to further increase. Higher-than-expected spending due to wage and price increases as well as social benefits also increase the deficit while the shifting of funds that are likely not spent in 2025 to later years has the opposite effect.

The government balance in 2026 is set to be temporarily affected by a reform of the military pension system that requires a transfer of approximately 0.7% of GDP from the government to a private pension fund. Increases of the VAT rates for accommodation services as well as limiting the indexation of personal income tax brackets are expected to contribute to a moderate increase in revenue in 2026, although not sufficient to compensate for the increase in spending. The deficit for 2026 is forecast to reach 2.7%.

The general government debt continued its downward trend and fell to 43.3% of GDP in 2024. However, higher deficits thereafter are expected to increase the debt ratio to 45.0% in 2025 and 47.8% in 2026, still below the euro area average.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		1134.1	100.0	1.2	6.3	5.0	0.1	**1.0**	**1.3**	**1.2**
Private Consumption		489.1	43.1	0.2	4.5	6.9	0.8	**1.2**	**1.9**	**1.8**
Public Consumption		289.1	25.5	1.8	4.7	1.3	2.9	**3.6**	**1.8**	**1.3**
Gross fixed capital formation		223.8	19.7	1.8	2.4	3.4	1.3	**-0.5**	**0.8**	**1.5**
Exports (goods and services)		954.2	84.1	3.6	6.9	4.4	-0.5	**0.4**	**0.7**	**1.9**
Imports (goods and services)		817.0	72.0	3.7	6.5	4.4	-1.8	**0.3**	**1.2**	**2.2**
GNI (GDP deflator)		1118.6	98.6	1.1	11.0	2.2	0.7	**0.4**	**1.3**	**1.3**
Contribution to GDP growth:	Domestic demand			0.9	3.6	4.0	1.3	**1.3**	**1.4**	**1.4**
	Inventories			0.0	1.7	0.5	-2.3	**-0.5**	**0.1**	**-0.1**
	Net exports			0.3	0.9	0.5	1.1	**0.1**	**-0.3**	**0.0**
Employment				0.9	1.7	3.9	1.6	**1.0**	**0.3**	**0.2**
Unemployment rate (a)				6.2	4.2	3.5	3.6	**3.7**	**3.9**	**4.0**
Compensation of employees / head				2.0	2.7	3.6	6.3	**6.4**	**5.1**	**3.7**
Unit labour costs whole economy				1.7	-1.6	2.5	7.9	**6.5**	**4.1**	**2.7**
Saving rate of households (b)				13.7	19.1	14.4	14.5	**14.4**	**15.8**	**15.6**
GDP deflator				1.5	2.7	6.2	7.3	**5.2**	**3.7**	**2.6**
Harmonised index of consumer prices				1.5	2.8	11.6	4.1	**3.2**	**3.0**	**2.0**
Terms of trade goods				0.1	-1.2	-4.1	3.6	**2.5**	**1.4**	**1.6**
Trade balance (goods) (c)				8.8	7.3	5.5	8.0	**8.7**	**9.2**	**9.7**
Current-account balance (c)				6.5	10.0	6.6	9.9	**10.0**	**10.2**	**10.6**
General government balance (c)				-1.6	-2.2	0.0	-0.4	**-0.9**	**-2.1**	**-2.7**
Fiscal stance (c)				-0.2	-1.1	0.4	0.5	**0.2**	**-0.6**	**0.2**
Structural budget balance (d)				0.0	-1.7	-1.2	-1.0	**-0.4**	**-1.5**	**-1.3**
General government gross debt (c)				56.4	50.5	48.4	45.2	**43.3**	**45.0**	**47.8**

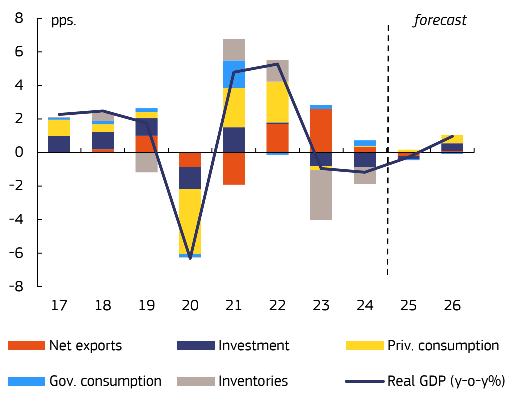
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

16. AUSTRIA

Austria is projected to experience its third consecutive year of economic recession in 2025. This results from low investment, modest consumption and declining exports, exacerbated by international trade tensions. Growth is set to resume only in 2026. The government deficit is projected to be above 4% of GDP in 2025 and 2026, and the government debt-to-GDP ratio is forecast to remain above 80%.

The recession continues in 2025

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



Real GDP contracted by 1% in 2023 and by 1.2% in 2024, due to stagnant consumption and declining investment. The cost competitiveness of the industrial sector has suffered due to high energy prices and strongly increasing unit labour costs. Industrial production declined by 5.4% in 2024. Goods exports shrank by 5.9%, counterweighed by goods imports going down by 7.1%.

In 2025, private consumption is expected to grow modestly, recouping some lost ground after two weak years when consumption per capita declined and saving rates reached historically high levels. Last year's strong real income gains and a slow unwinding of savings are set to support consumption, despite the planned fiscal consolidation measures. Investment is expected to decline further, with low-capacity utilisation in industry weighing on equipment investment. By contrast, construction investment is expected to start recovering slowly, supported by slowly declining housing loan rates. The loss of cost competitiveness and the weakness of the industrial sector in Europe is set to be a drag on Austrian net exports. Last year, exports to the US, Austria's second most important export destination, grew dynamically reaching 8.5% of total exports, but this year, trade tensions create headwinds for exports.

In 2026, a return to growth is projected, with strengthening private consumption and investment growth turning positive. However, trade tensions are projected to weigh on Austria's economic performance.

Overall, in 2025, GDP is expected to decline by 0.3%. In 2026, growth is projected to pick up to 1%.

Unemployment is increasing moderately

The prolonged recession has affected the labour market. The unemployment rate has been increasing slowly but steadily since its post-COVID 19 trough of 4.8% in 2022. It is now expected to peak at 5.3% this year. As the economy picks up in 2026, unemployment is expected to reduce to 5.2%. Austria reached a demographic turning point this year with the working age population starting to decline, but the labour supply is still growing slowly. This is mostly due to an increase in female participation, as a result of the steady increase in the statutory retirement age of women, which is being adjusted upwards by six months each year to be aligned with that of men in 2033. Wages per employee grew by more than 8% in 2024 as workers were compensated for past inflation via collective bargaining agreements. Going forward, wage growth is projected to ease gradually, driven by the labour market slack and lower inflation.

Inflation remains above 2%

In the first quarter of 2025, the inflation rate increased to 3.3% due to a strong increase in retail energy prices. This was mainly driven by expiring energy relief measures such as reinstated fees on electricity and high wholesale oil and gas prices at the beginning of the year. Persistent services inflation also contributes to the elevated inflation rate in 2025, at 2.9% In 2026, inflation is projected to go down again, supported by lower energy commodity prices and the slowdown of unit labour cost, averaging 2.1%.

A government deficit above 4% despite consolidation efforts

The general government deficit is projected to decrease from 4.7% of GDP in 2024 to 4.4% in 2025 to 4.2% in 2026. Fiscal consolidation efforts are taking place, amounting to around 1.1% of GDP in 2025.

On the expenditure side, this includes the abolition of the climate bonus (a lump-sum compensation for CO_2 pricing), the elimination of a state-financed upskilling leave and cuts in public consumption. However, the increased spending on public salaries, pensions and social expenditure due to inflation indexation, as well as other ageing-related costs, continue to weigh significantly on public finances, reducing the effects of the consolidation package substantially.

On the revenue side, taxes on production and social contributions are projected to contribute to the reduction of the deficit. Some consolidation measures, such as the increase in the stability levy for banks, the extension of the energy crisis contribution for energy producers and the rise in the health insurance contributions of pensioners, are also set to generate additional revenues. At the same time, revenue growth from personal and corporate income taxes is projected to slow down over the forecast horizon, reducing the impact of the consolidation efforts.

A still high general government deficit in the context of muted GDP growth is projected to drive the debt-to-GDP ratio upwards. At 81.8% of GDP in 2024, the government debt ratio, is expected to increase to 84.0% in 2025 and 85.8% in 2026.

Table III.16.1: **Main features of country forecast – AUSTRIA**

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		481.9	100.0	1.0	4.8	5.3	-1.0	**-1.2**	**-0.3**	**1.0**
Private Consumption		254.0	52.7	0.5	4.8	4.9	-0.5	**0.1**	**0.3**	**1.0**
Public Consumption		105.9	22.0	1.1	7.6	-0.6	1.2	**1.6**	**-0.4**	**-0.4**
Gross fixed capital formation		117.3	24.3	1.3	6.0	0.4	-3.2	**-3.4**	**-0.7**	**1.9**
Exports (goods and services)		274.3	56.9	2.5	9.5	10.0	-0.4	**-4.3**	**-1.0**	**1.9**
Imports (goods and services)		258.4	53.6	2.3	14.1	7.1	-4.6	**-5.0**	**-0.6**	**1.9**
GNI (GDP deflator)		479.2	99.4	1.1	5.4	4.0	-1.4	**-1.8**	**-0.5**	**0.8**
Contribution to GDP growth:	Domestic demand			0.8	5.5	2.4	-0.8	**-0.5**	**-0.1**	**0.9**
	Inventories			0.0	1.3	1.3	-3.0	**-1.0**	**0.0**	**0.0**
	Net exports			0.2	-1.9	1.7	2.6	**0.4**	**-0.2**	**0.1**
Employment				1.0	2.0	2.6	0.8	**0.0**	**0.1**	**0.4**
Unemployment rate (a)				5.5	6.2	4.8	5.1	**5.2**	**5.3**	**5.2**
Compensation of employees / head				2.2	2.9	4.9	6.8	**8.4**	**3.2**	**3.1**
Unit labour costs whole economy				2.2	0.2	2.2	8.7	**9.8**	**3.6**	**2.6**
Saving rate of households (b)				15.1	17.3	15.0	14.9	**18.0**	**17.4**	**16.7**
GDP deflator				1.9	1.9	4.8	6.6	**3.1**	**3.5**	**2.2**
Harmonised index of consumer prices				1.9	2.8	8.6	7.7	**2.9**	**2.9**	**2.1**
Terms of trade goods				-0.2	-1.3	-6.8	-1.0	**2.3**	**2.4**	**0.2**
Trade balance (goods) (c)				0.2	0.0	-1.9	0.9	**2.1**	**2.5**	**2.5**
Current-account balance (c)				2.4	1.8	-0.8	1.4	**2.0**	**2.4**	**2.3**
General government balance (c)				-2.3	-5.7	-3.4	-2.6	**-4.7**	**-4.4**	**-4.2**
Fiscal stance (c)				-0.6	-1.6	-3.7	0.1	**-2.3**	**1.3**	**0.3**
Structural budget balance (d)				-1.1	-4.7	-4.8	-2.8	**-4.0**	**-3.4**	**-3.6**
General government gross debt (c)				78.0	82.4	78.4	78.5	**81.8**	**84.0**	**85.8**

(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.

17. PORTUGAL

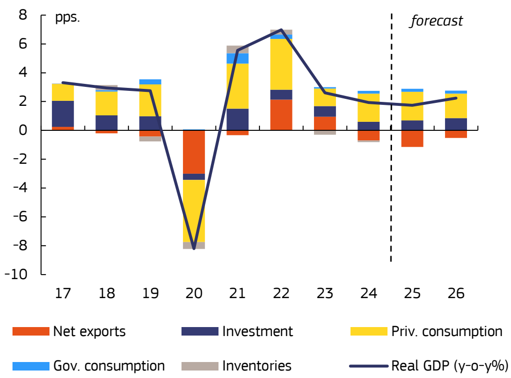
Domestic demand is set to continue supporting economic growth in Portugal while exports of goods face significant headwinds due to global trade tensions. Headline inflation is projected to continue easing amid moderating employment and wage growth and a marginal drop in unemployment. Portugal is expected to continue to pursue an expansionary fiscal policy, turning the general government surplus into a deficit by 2026.

Economic activity to retain sound growth path despite headwinds

Following a strong rebound in the last quarter of 2024, Portugal's economy contracted by 0.5% (q-o-q) in the first quarter of 2025. This was mainly driven by retroactive wage tax adjustments that temporarily pushed up disposable income in late 2024. Both private consumption and savings increased substantially and were followed by a correction at the beginning of 2025. In addition, business and consumer sentiments deteriorated in the first quarter of the year facing high geopolitical uncertainty. By contrast, exports of goods increased, most likely due to anticipation of sales ahead of the forthcoming US tariff hikes. Across the main business sectors, services continued to support the economy, helped by solid income growth.

The escalation of global trade tensions in April is expected to weigh on Portugal's economic performance in the coming months. By contrast, the projected acceleration in the implementation of the RRP is set to boost investments along with two large private projects in the car industry. In the external sector, imports are projected to grow faster than exports but the current account is expected to remain in surplus, benefiting from lower energy prices.

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



Growth is forecast to moderate from 1.9% in 2024 to 1.8% in 2025 as the strong domestic demand is offset by setbacks in external demand. In 2026, growth is expected to improve to 2.2%. While Portugal's direct exposure to the US market is relatively limited, risks of significant indirect setbacks remain high and relate to global trade disruptions and uncertainty. On the positive side, Portugal's recent increase in household savings and possible expenditure switching towards domestically produced goods could result in higher than projected demand. All in all, the balance of risks is tilted to the downside as the high level of external risks appears only partly offset by domestic factors.

Labour supply and employment keep rising, helped by migration

Unemployment remained relatively stable at 6.5% in 2024 and the first months of 2025 as both employment and labour supply continued to rise at a strong pace, helped by net migration. The employment rate for the age group of 16-74 reached a new historic high of 64.1% in 2024. Employment growth is projected to moderate somewhat this year but still lead to a marginal drop in unemployment to 6.4% in 2025 and 6.3% in 2026. Wages are set to continue rising slightly faster than nominal GDP due to tight labour conditions in sectors such as information technologies and construction.

Inflation continues to decelerate

Headline inflation resumed its downward path in the first quarter of 2025 after a temporary uptick in late 2024 driven by energy and services. Given the steep drop in prices of crude oil and other commodities, inflation is projected to ease further in the coming months, slowing down from 2.7%

in 2024 to 2.1% in 2025 and 2.0% in 2026. Inflation excluding energy and food is set to remain slightly higher as wage growth and strong domestic demand are expected to keep services inflation elevated albeit in a slight disinflationary trajectory. The price pressure in the tourism sector is also projected to remain relatively high as foreign tourism is expected to continue growing despite tensions in global trade of goods.

Fiscal policy measures put the budget surplus under strain

In 2024, Portugal's general government balance recorded a surplus of 0.7% of GDP, 0.5 pps. of GDP below 2023. Government revenue growth decelerated reflecting fiscal policy measures as the reduction in personal income tax rates. This was partly offset by the higher receipts from the corporate income tax and value-added tax as well as the increased revenue from social contributions. Government expenditure continued to expand on the back of higher public wages and social transfers, particularly related to public pensions.

Going forward, the general government balance is expected to contract to 0.1% of GDP in 2025. Current expenditure is projected to continue to grow amid fiscal policy measures that increase public wages and pensions. Public investment is expected to pick up significantly in 2025. At the same time, government revenue growth is forecast to decelerate. Direct taxation policy measures, as the broadening of the youth personal income tax scheme, are projected to weigh on tax revenues. Social contributions are expected to remain resilient on the back of sustained economic activity and households' higher disposable income.

Portugal's fiscal stance is expected to remain expansionary in 2026 based on a no-policy change assumption. For next year, the general government balance is forecast to turn into a deficit of 0.6% of GDP. This reflects the impact of fiscal policy measures as the reduction of the corporate income tax rate and public investment financed by RRF loans. Risks to the fiscal outlook are on the downside and relate, among others, to ongoing financial rebalancing requests of public-private partnerships and to financial vulnerabilities in the state-owned enterprise sector.

After recording 94.9% of GDP in 2024, nearly 3.0 pps. below 2023, Portugal's public debt-to-GDP ratio is projected to continue declining. It is forecast to reach 91.7% in 2025 and 89.7% in 2026, driven by primary balance surpluses and favourable growth-interest rate differentials.

Table III.17.1: **Main features of country forecast - PORTUGAL**

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		285.2	100.0	0.1	5.6	7.0	2.6	**1.9**	**1.8**	**2.2**
Private Consumption		174.7	61.3	0.2	4.9	5.6	1.9	**3.2**	**3.3**	**2.8**
Public Consumption		48.0	16.8	0.0	3.8	1.7	0.6	**1.1**	**1.2**	**1.2**
Gross fixed capital formation		56.5	19.8	-0.7	7.8	3.3	3.6	**3.0**	**3.5**	**4.3**
Exports (goods and services)		132.6	46.5	2.8	12.0	17.2	3.8	**3.4**	**1.7**	**2.8**
Imports (goods and services)		127.4	44.7	2.0	12.3	11.3	1.8	**4.9**	**4.3**	**4.1**
GNI (GDP deflator)		280.0	98.2	0.1	6.0	6.1	1.7	**2.8**	**1.7**	**2.3**
Contribution to GDP growth:	Domestic demand			0.0	5.4	4.5	2.0	**2.7**	**2.9**	**2.8**
	Inventories			0.0	0.5	0.3	-0.3	**-0.1**	**0.0**	**0.0**
	Net exports			0.2	-0.3	2.1	1.0	**-0.7**	**-1.1**	**-0.5**
Employment				-0.2	1.4	3.7	1.0	**1.6**	**1.0**	**0.9**
Unemployment rate (a)				11.1	6.7	6.2	6.5	**6.5**	**6.4**	**6.3**
Compensation of employees / head				1.8	5.9	5.6	8.0	**8.0**	**4.9**	**4.0**
Unit labour costs whole economy				1.5	1.7	2.4	6.4	**7.7**	**4.1**	**2.6**
Saving rate of households (b)				8.5	11.0	7.3	8.3	**12.2**	**11.9**	**11.6**
GDP deflator				1.7	2.0	5.3	7.0	**4.4**	**3.1**	**2.2**
Harmonised index of consumer prices				1.3	0.9	8.1	5.3	**2.7**	**2.1**	**2.0**
Terms of trade goods				0.4	0.1	-2.9	3.4	**2.4**	**1.2**	**0.0**
Trade balance (goods) (c)				-8.4	-7.6	-11.2	-9.7	**-9.2**	**-9.6**	**-10.0**
Current-account balance (c)				-4.1	-0.9	-2.3	0.3	**1.7**	**1.2**	**0.9**
General government balance (c)				-5.0	-2.8	-0.3	1.2	**0.7**	**0.1**	**-0.6**
Fiscal stance (c)				-0.1	-0.9	-1.1	1.2	**-1.6**	**-1.4**	**-1.2**
Structural budget balance (d)				-1.5	-1.3	-0.8	1.1	**0.3**	**0.0**	**-0.8**
General government gross debt (c)				109.2	123.9	111.2	97.7	**94.9**	**91.7**	**89.7**

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

18. SLOVENIA

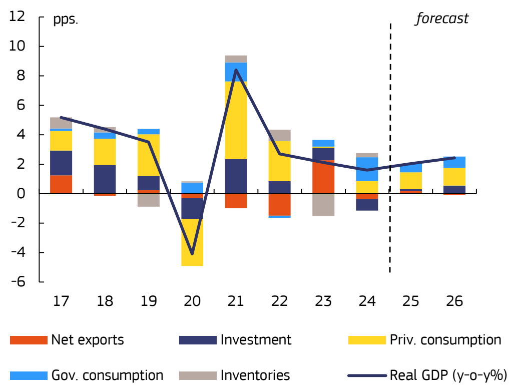
After growing by 1.6% in 2024, Slovenia's GDP is forecast to increase by 2.0% in 2025 and 2.4% in 2026. Inflation is expected to remain rather stable over the forecast horizon and the unemployment rate to remain low. The general government deficit dropped markedly to 0.9% of GDP in 2024 and is forecast to increase to 1.3% of GDP in 2025. The debt-to-GDP ratio is projected to decrease, from 67.0% in 2024 to 65.5% in 2025 and 63.8% in 2026.

Growth set to continue, supported by domestic demand and exports

GDP grew by 1.6% in 2024, supported by private consumption and exports. Following the 2023-boom in construction, both residential and non-residential construction decreased in 2024, accompanied by a fall in investment in machinery and equipment. The contribution from net exports turned negative as imports increased by 3.9% while exports grew by 3.2%. Terms of trade continued to improve and the current account surplus increased. Employment growth was modest compared to recent years, while real wages increased substantially at around 4,2%.

Despite global headwinds, GDP growth is forecast to accelerate to 2.0% in 2025 and to 2.4% in 2026. Private consumption is projected to continue to expand in 2025 and 2026, still supported by employment growth and rising wages. However, the savings rate is expected to increase to around 13.5% in 2025. Public investment is set to remain buoyant thanks to the continued deployment of RRF-financed investment and the pursuit of reconstruction works after the floods. Private investment, on the other hand, is projected to be strongly influenced by global uncertainty and lower global demand. In 2025, exports are set to increase slightly stronger than export market demand, as market share increase is projected to continue. In 2026, similar trends continue: growth is expected to continue to be supported by domestic demand, with investment growth also picking up.

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



The labour market remains tight

The employment rate is at a historic peak but further small gains are still expected, as employment is forecast to increase by 0.6% in 2025 and 0.7% in 2026, driven by inflows of foreign workers. The unemployment rate fell to 3.7% and wages increased by over 6% in 2024. The unemployment rate is set to remain stable over the forecast horizon. With the labour market remaining very tight, wages are forecast to increase by 5.6% in 2025 and by 4.7% in 2026. Following three years of decline, real unit labour costs increased slightly in 2024 and are projected to continue to increase over 2025-26.

Inflation set to increase slightly in 2025

Inflation fell to 2% in 2024, reaching its lowest in the third quarter at 1.1%. However, it increased to 2.1% in the first quarter of 2025. The impact of lower energy prices over the forecast horizon is offset by the projected increase in food and services prices. Inflation is forecast to average 2.1% in 2025 and 1.9% in 2026. Inflation excluding energy and food is also expected to increase to 2.2%, driven by increases in services prices.

Public debt on a declining path

The general government deficit declined markedly to 0.9% of GDP in 2024, due to high property income revenues and temporary tax increases aimed at financing reconstruction following the 2023 floods.

In 2025, the general government deficit is projected to widen somewhat to 1.3% of GDP. Revenue is set to increase due to the new long-term care contribution paid from wages and pensions and the higher CO2 emissions tax. Higher revenue from these sources is projected to be partially offset by higher social transfers in kind due to the new long-term care system, which is being phased in gradually. A higher wage bill is projected as part of an on-going reform of the public sector wage grid. Higher subsidies for the green transition, in particular for a gradual exit from coal, are expected to be only partially offset by a withdrawal of the last remaining measures to mitigate the impact of high energy prices.

In 2026, the general government deficit is forecast to increase to 1.5% of GDP mostly due to the continued phasing in of the public sector wage reform. Higher economic growth and the full-year impact of the new long-term care contribution is also expected to lead to higher revenue.

The debt-to-GDP ratio is forecast to decrease gradually from 67.0% in 2024 to 65.5% in 2025 and to 63.8% in 2026 thanks to a debt-decreasing interest-growth-rate differential, while primary deficits are set to contribute marginally to debt developments.

Table III.18.1: **Main features of country forecast – SLOVENIA**

		2024			Annual percentage change					
	bn EUR	**Curr. prices**	**% GDP**	**05-20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
GDP		67.0	100.0	1.7	8.4	2.7	2.1	**1.6**	**2.0**	**2.4**
Private Consumption		34.6	51.7	1.4	10.5	5.3	0.1	**1.6**	**2.2**	**2.3**
Public Consumption		13.8	20.6	1.4	6.2	-0.7	2.4	**8.5**	**2.8**	**3.7**
Gross fixed capital formation		13.4	20.1	-0.3	12.3	4.2	3.9	**-3.7**	**0.7**	**2.8**
Exports (goods and services)		54.6	81.5	4.6	14.5	6.8	-2.0	**3.2**	**2.2**	**3.0**
Imports (goods and services)		50.2	74.9	3.5	17.8	9.2	-4.5	**3.9**	**2.2**	**3.4**
GNI (GDP deflator)		66.4	99.1	1.7	7.6	2.0	2.7	**1.6**	**2.1**	**2.5**
Contribution to GDP growth:	Domestic demand			1.0	8.9	3.4	1.4	**1.7**	**1.9**	**2.5**
	Inventories			-0.1	0.5	0.8	-1.5	**0.3**	**0.0**	**0.0**
	Net exports			0.8	-1.0	-1.5	2.3	**-0.4**	**0.2**	**-0.1**
Employment				0.7	1.3	2.9	1.6	**0.1**	**0.6**	**0.7**
Unemployment rate (a)				6.9	4.8	4.0	3.7	**3.7**	**3.7**	**3.8**
Compensation of employees / head				3.3	8.0	5.0	9.5	**6.2**	**5.6**	**4.7**
Unit labour costs whole economy				2.3	0.9	5.2	9.0	**4.7**	**4.2**	**2.9**
Saving rate of households (b)				13.8	17.6	13.4	14.3	**12.9**	**13.5**	**13.1**
GDP deflator				1.7	2.7	6.5	10.1	**3.1**	**2.8**	**2.7**
Harmonised index of consumer prices				1.8	2.0	9.3	7.2	**2.0**	**2.1**	**1.9**
Terms of trade goods				-0.2	-2.3	-2.9	4.0	**0.8**	**0.2**	**0.4**
Trade balance (goods) (c)				0.3	1.7	-4.3	0.7	**1.0**	**1.1**	**0.9**
Current-account balance (c)				1.7	3.7	-1.1	4.4	**4.6**	**4.7**	**4.8**
General government balance (c)				-3.3	-4.6	-3.0	-2.6	**-0.9**	**-1.3**	**-1.5**
Fiscal stance (c)				-0.3	-2.0	-2.0	1.1	**1.1**	**-0.3**	**-0.8**
Structural budget balance (d)				-1.0	-5.8	-4.3	-3.0	**-1.2**	**-1.2**	**-2.1**
General government gross debt (c)				54.9	74.8	72.7	68.4	**67.0**	**65.5**	**63.8**

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

19. SLOVAKIA

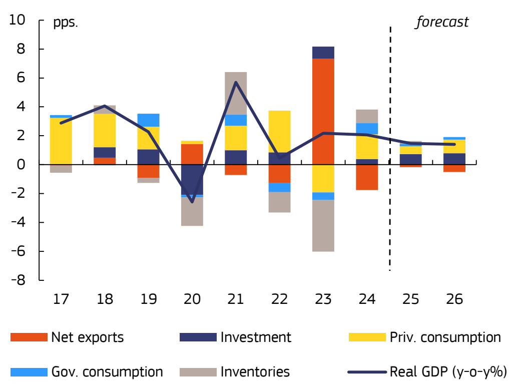
GDP is expected to expand by 1.5% in 2025, as Slovak export recovery slows down due to the direct and indirect effects of increased global protectionism, and government fiscal consolidation weighs on domestic demand. In 2026, GDP growth is expected to slow down to 1.4% as net exports decrease. Inflation is projected to increase to 4.0% this year due to increased taxes and higher wage growth, before moderating to 2.9% in 2026. The tight labour market is projected to keep real wage growth even though the economy is expected to slow down. The public deficit is expected to decrease to 4.9% of GDP in 2025 before increasing to 5.1% in 2026.

Growth outlook balances export challenges with robust investments

Real GDP is expected to grow by 1.5% in 2025, mainly supported by private consumption and investment of EU funds and defence. Slovak exports recovered only mildly in 2024, and they are projected to remain sluggish in view of the rising trade restrictions and uncertainty. Although output in the Slovak automobile industry grew significantly, some exports were already suspended in response to the imposition of US tariffs. Export growth is therefore expected to moderate as of Q2 2025. While Slovakia is expected to continue expanding its exports, a weaker economic performance of the country's major trading partners poses an important downside risk.

In 2025, private consumption growth is set to decelerate, affected by the VAT tax increase in the first quarter and economic uncertainty. However, steady wage growth keeping up with the rebound in consumer price inflation is expected to provide an extra stimulus to private consumption. Public investment is set to be strong, supported by the deployment of EU funds and defence equipment purchases. Net exports are no longer projected to contribute to growth as increases in imports are expected to outpace increases in exports. Overall, real GDP growth is projected at 1.4% in 2026.

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



The spending of RRF funds is set to increase in 2025 and 2026, supporting economic growth through public expenditure amid global economic uncertainties. Nevertheless, the potential need for further consolidation efforts poses a downside risk to growth in 2026.

Persistent low unemployment supported by robust labour demand

The unemployment rate is expected to stabilize at 5.4% in both 2025 and 2026 as slowing employment growth is set to be offset by a shrinking labour force. The labour market is expected to remain tight with record low levels of unemployment, highest unfilled vacancies and highest presence of foreign workers. Starting in 2025, the implementation of higher corporate income taxes and limited public sector wage increases are projected to slow down growth in compensation of employees. Nevertheless, the compensation of employees is still expected to grow faster than inflation over the forecast horizon, resulting in a slight increase in real wages.

Inflationary pressures set to rise, as energy price supports come to an end

In 2024, headline inflation eased to 3.2% due to continuing government interventions to limit energy prices for households which were extended into 2025. VAT and other tax increases included in the fiscal consolidation package led to an increase in prices in early 2025 that is set to be visible in annual inflation rates throughout 2025. Prices in the services sector, driven by strong wage growth, are expected to be the main driver of inflation. As a result, HICP inflation is forecast to rise to 4.0% in 2025, and to moderate to 2.9% in 2026.

Reduction of public deficit driven by fiscal consolidation

In 2024, the general government deficit increased to 5.3% of GDP due to the higher compensation of public employees, and higher spending in several social benefits, which were mostly of a permanent nature. The deficit is forecast to decrease to 4.9% in 2025, primarily driven by the fiscal consolidation package. Nonetheless, the consolidation efforts will be partially offset by the postponed delivery of military equipment from previous years. Permanent expenditure measures combined with worsening macroeconomic conditions, and the absence of new consolidating measures is expected to increase the deficit to 5.1% of GDP by 2026.

The most significant fiscal consolidation measures contributing to a decrease in public deficit in 2025 include adjustments to VAT and corporate income tax rates and the introduction of a financial transaction tax. While a reduction in public wage bill spending will contribute, its impact will be comparatively modest.

The government debt-to-GDP ratio is expected to increase from 59.3% in 2024 to 60.3% in 2025, reaching 63.0% of GDP in 2026. This rise is primarily due to significant deficits projected over the forecast period.

Table III.19.1: **Main features of country forecast - SLOVAKIA**

		2024			Annual percentage change					
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		131.0	100.0	3.3	5.7	0.4	2.2	**2.1**	**1.5**	**1.4**
Private Consumption		77.0	58.8	2.9	3.0	5.1	-3.1	**2.9**	**0.9**	**1.6**
Public Consumption		27.4	20.9	2.7	3.7	-2.9	-2.5	**3.7**	**0.9**	**0.8**
Gross fixed capital formation		26.6	20.3	2.2	5.1	4.3	4.0	**1.8**	**3.6**	**3.8**
Exports (goods and services)		111.6	85.2	5.8	10.7	2.8	-0.7	**0.3**	**1.9**	**1.8**
Imports (goods and services)		111.4	85.0	4.8	11.7	4.2	-7.6	**2.3**	**2.1**	**2.4**
GNI (GDP deflator)		128.0	97.7	3.5	3.6	0.3	3.2	**1.9**	**1.3**	**1.3**
Contribution to GDP growth:	Domestic demand			2.7	3.5	3.1	-1.6	**2.9**	**1.4**	**1.9**
	Inventories			-0.1	2.9	-1.4	-3.6	**1.0**	**0.2**	**0.0**
	Net exports			0.8	-0.7	-1.3	7.3	**-1.8**	**-0.2**	**-0.5**
Employment				1.0	-0.6	1.8	0.3	**-0.2**	**-0.1**	**-0.1**
Unemployment rate (a)				11.2	6.8	6.1	5.8	**5.3**	**5.3**	**5.3**
Compensation of employees / head				4.8	6.9	5.9	10.3	**7.3**	**4.9**	**4.4**
Unit labour costs whole economy				2.4	0.6	7.3	8.3	**5.0**	**3.3**	**2.9**
Saving rate of households (b)				8.8	11.4	5.9	7.4	**5.9**	**6.0**	**5.6**
GDP deflator				1.2	2.2	7.5	10.1	**3.6**	**3.9**	**3.3**
Harmonised index of consumer prices				2.0	2.8	12.1	11.0	**3.2**	**4.0**	**2.9**
Terms of trade goods				-0.8	-1.1	-4.4	0.5	**1.5**	**0.2**	**0.4**
Trade balance (goods) (c)				0.1	-1.4	-6.6	0.6	**-0.3**	**-0.7**	**-0.9**
Current-account balance (c)				-2.8	-4.4	-9.2	-0.1	**-1.6**	**-2.3**	**-2.5**
General government balance (c)				-3.5	-5.1	-1.7	-5.2	**-5.3**	**-4.9**	**-5.1**
Fiscal stance (c)				-0.1	-1.0	0.5	-5.7	**2.2**	**0.2**	**0.0**
Structural budget balance (d)				-2.3	-5.7	-1.9	-5.4	**-5.2**	**-4.5**	**-4.6**
General government gross debt (c)				44.8	60.2	57.7	55.6	**59.3**	**60.9**	**63.0**

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

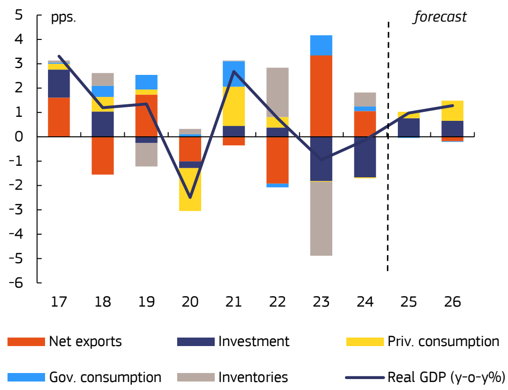
20. FINLAND

Following two years of recession, real GDP is expected to grow by 1.0% in 2025 and 1.3% in 2026. The unemployment rate is forecast to decline to 8.3% by 2026, while HICP inflation is set to remain below 2% over the forecast horizon. The economic recovery and fiscal consolidation measures are projected to reduce the deficit from 4.4% in 2024 to 3.4% by 2026. The public debt-to-GDP ratio is set to increase to 87.5%.

Exiting a two-year recession

In 2023 and 2024, real GDP contracted by 1% and 0.1% respectively, dragged down by investment, especially in construction. The decline in the construction sector, however, seems to have bottomed out in 2024, as interest rates began to decrease. Private consumption remained subdued as consumers postponed major purchases in a context of rising unemployment. At the same time, exports of services grew strongly and compensated for losses in exports of goods. Overall export growth was just above zero for the second year in a row. With imports declining, net exports actually supported growth, as did government consumption.

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



At the beginning of 2025, data on production and some sentiment indicators pointed to a continued recovery. Rising incomes driven by wages increases are expected to stimulate private consumption. Moreover, public investment is set to be boosted by purchases of military equipment in 2025 and 2026. However, the geopolitical uncertainty, planned reductions in social benefits, and weaknesses in the labour market are set to have a negative effect.

In particular, trade policy uncertainty is expected to make corporations rethink their investment plans. Increases in tariffs are also projected to take a toll on exports, though exports of services to the US are projected to continue contributing positively to growth over the forecast years. In addition, Finland is expected to deliver a large cruise ship which significantly adds to exports in 2025. In 2026, supportive financing conditions and receding uncertainty are expected to support a stronger recovery.

Overall, real GDP growth is projected to reach 1.0% and 1.3% in 2025 and 2026, respectively.

Rise in unemployment coming to a halt

In a context of weak economic activity, the unemployment rate reached 8.4% in 2024 and stood close to 9% in the beginning of 2025. Major improvements in the labour market seem to be unlikely given the high uncertainty in the short term. Still, the economic recovery should support employment over the forecast period. In recent years, an increase in immigration has helped to somewhat mitigate the decline in the working-age population, which will be important to bolster labour supply as the economic situation improves. The recently negotiated wage increases exceed projected inflation, supporting real disposable income over the forecast horizon.

Price pressures receding despite VAT hike

HICP inflation declined significantly in 2024 as energy prices decreased. Prices of unprocessed food also decreased, following a surge in 2022 and 2023. However, an increase in the standard VAT rate to 25.5% - in force since September 2024 – pushed inflation higher in the last quarter of 2024 with a positive carry-over effect into 2025. Nonetheless, lower prices of non-energy industrial goods, further decreases in energy prices and moderating services inflation are expected to exert downward pressure on overall inflation. HICP inflation is projected to reach 1.7% in 2025 before declining to 1.5% in 2026.

Fiscal consolidation set to reduce deficit

The general government deficit increased from 3.0% in 2023 to 4.4% of GDP in 2024. This steep increase was due to a sustained growth in expenditure, coupled with a slower rise in revenues. The latter was related to cuts in social security contributions and adverse macroeconomic conditions which reduced both income and product tax receipts. Growth in expenditure was largely driven by rising social security payments and public investment.

In 2025, the general government deficit is expected to decline to 3.7%, driven by the consolidation measures adopted in April 2024. Key revenue-enhancing measures include the aforementioned increase in VAT rates and higher sickness-related social security contributions, while reductions in government intermediate consumption are expected to slow down expenditure growth. Cuts to social benefits and the freeze of the indexation of social benefits adopted in 2023 are expected to show their effect in 2025 as well. In 2026, the economic recovery is projected to add a cyclical boost to revenues, partly offset by tax cuts decided in April 2025 while the delivery of further military equipment is set to increase expenditure. Overall, in 2026, the general government deficit is forecast to decrease to 3.4%.

The debt-to-GDP ratio reached 82.1% in 2024 and is forecast to increase further to 85.6% in 2025 and 87.5% in 2026, due to persistent (albeit declining) deficits.

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

		2024		Annual percentage change						
	bn EUR	Curr. prices	% GDP	05-20	2021	2022	2023	**2024**	**2025**	**2026**
GDP		276.2	100.0	0.8	2.7	0.8	-0.9	**-0.1**	**1.0**	**1.3**
Private Consumption		143.1	51.8	1.0	3.2	0.9	0.0	**-0.1**	**0.5**	**1.6**
Public Consumption		71.9	26.0	1.0	4.3	-0.6	3.4	**0.7**	**-0.2**	**-0.1**
Gross fixed capital formation		59.4	21.5	1.1	1.8	1.5	-7.4	**-7.1**	**3.5**	**3.0**
Exports (goods and services)		115.1	41.7	1.8	6.0	4.4	0.2	**0.1**	**2.5**	**2.4**
Imports (goods and services)		113.3	41.0	2.5	7.0	9.3	-6.7	**-2.4**	**2.6**	**2.9**
GNI (GDP deflator)		277.1	100.3	0.9	2.8	0.0	-1.6	**-0.1**	**1.0**	**1.3**
Contribution to GDP growth:	Domestic demand			1.0	3.1	0.7	-1.0	**-1.5**	**1.0**	**1.5**
	Inventories			0.0	0.0	2.0	-3.0	**0.6**	**0.0**	**0.0**
	Net exports			-0.2	-0.3	-1.9	3.3	**1.1**	**0.0**	**-0.2**
Employment				0.5	2.3	3.5	0.9	**-0.6**	**0.2**	**0.5**
Unemployment rate (a)				8.0	7.7	6.8	7.2	**8.4**	**8.6**	**8.3**
Compensation of employees / head				2.0	4.1	2.5	3.4	**0.5**	**2.3**	**2.3**
Unit labour costs whole economy				1.7	3.7	5.3	5.3	**0.1**	**1.5**	**1.5**
Saving rate of households (b)				9.0	12.5	10.0	10.2	**9.8**	**9.0**	**9.0**
GDP deflator				1.7	2.5	6.2	3.5	**1.4**	**1.8**	**1.7**
Harmonised index of consumer prices				1.5	2.1	7.2	4.3	**1.0**	**1.7**	**1.5**
Terms of trade goods				-0.3	0.5	0.7	-2.4	**-2.5**	**0.5**	**0.5**
Trade balance (goods) (c)				3.0	0.9	-0.1	3.3	**2.5**	**2.4**	**2.3**
Current-account balance (c)				0.3	0.3	-2.4	-0.6	**-0.8**	**-0.7**	**-0.7**
General government balance (c)				-0.6	-2.7	-0.2	-3.0	**-4.4**	**-3.7**	**-3.4**
Fiscal stance (c)				0.2	0.2	0.5	-2.1	**-0.6**	**0.6**	**0.5**
Structural budget balance (d)				-1.6	-2.5	0.1	-1.7	**-2.7**	**-2.3**	**-2.5**
General government gross debt (c)				55.8	73.2	74.0	77.5	**82.1**	**85.6**	**87.5**

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

Non-EA Member States

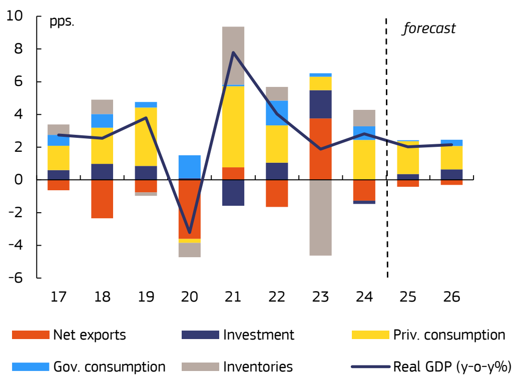
21. BULGARIA

Real GDP growth is forecast to slow down to 2% in 2025 and 2.1% in 2026, due to both external and domestic factors. Private consumption is set to grow more moderately on account of temporarily higher inflation and precautionary savings. The outlook for exports has also been revised downwards, reflecting subdued external demand and increased competition on external markets. Private investment is projected to contract, while public investments would be supported by intensified EU funds absorption. Wage growth is expected to moderate and annual inflation to fall gradually after the increase at the beginning of 2025. The general government deficit for 2025 is projected to decrease to 2.8% and to remain constant in 2026. The debt-to-GDP ratio is set to increase to 25.1% and 27.1% in 2025 and 2026 respectively.

Lower GDP growth due to external and domestic factors

Economic growth accelerated to 2.8% in 2024, driven by private consumption, which was underpinned by higher real wages, employment gains and increased social transfers. Exports of goods and services contracted, weighed down by the Russian war of aggression, with combined nominal goods exports to Ukraine and the Russian Federation contracting by around one third compared to the previous year. Lower demand for Bulgarian goods from China and the UK also contributed to the decline in nominal exports. Investment declined by 1.1% due to lower public spending, while firms accumulated more inventories.

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



For 2025, increased indirect taxes, higher prices for electricity, utilities and food, and hikes in international tariffs are set to weigh on the economic outlook. Private consumption is set to grow more moderately than in 2024, constrained by temporarily higher inflation and precautionary savings. The outlook for exports has also been revised downwards but is expected to still turn positive in 2025, due to positive growth in the first quarter, and to accelerate moderately in 2026. Exports of goods in 2025 are also affected by planned maintenance works in the steel production and oil refining sectors. Private investment is projected to contract in 2025 and 2026 due to the heightened economic uncertainty. The projected acceleration in the absorption of EU funds is expected to support a moderate investment growth that accelerates in 2026. Overall, real GDP is forecast to grow by 2% in 2025 and by 2.1% in 2026.

Moderation in wage growth while unemployment remains low

In 2024 the labour market remained tight, with an unemployment rate at around 4%. Nominal growth in compensation per employee slowed from 13.8% in 2024-Q1 to 4% in 2024-Q4, as inflation pressures subsided, and firms aimed to curb costs. Wage moderation in the private sector is expected to continue, accompanied by limited job losses related to the worsened economic environment and the need to preserve competitiveness. Public wages are projected to grow strongly in 2025, amid solid hiring.

Disinflation after the price increases at the beginning of 2025

HICP inflation slowed to 2.6% in 2024. The price hikes at the beginning of 2025 were due to restored higher VAT rates on bread and restaurants, higher excise duties on tobacco, increased electricity, gas, other utilities and administered prices and higher food prices. Inflation developments for the rest of 2025 and in 2026 are also set to be driven by both external and domestic factors. The higher inflation in domestic food prices at the beginning of 2025 is expected to decelerate gradually, following broadly the international developments. The pass-through of lower futures' prices into retail energy and non-energy industrial goods prices is projected to keep inflation down. The disinflation in the services sector is set to benefit from wage moderation and the need to preserve competitiveness for exported services in a worsened external environment. Overall, HICP inflation is projected at 3.6% in 2025 and 1.8% in 2026.

General government deficit remains within 3%

The general government deficit rose to 3% of GDP in 2024. In line with policy changes legislated in 2022, permanent increases in pensions and wages, compounded by higher social benefits, continued to impact expenditure. The one-off statistical recording of settled liabilities for road infrastructure works from 2020-21 contributed 0.5% of GDP to the increase.

For 2025, the deficit is expected to decrease to 2.8%. Further increases in social spending and public sector salaries are planned, particularly in sectors such as defence. Public investment is set to increase in 2025, in line with the efforts to advance the implementation of the RRP amid severe delays and also due to the expected deliveries of military equipment. The stimulus to economic activity from public investment is expected to have a positive impact on revenues. A positive contribution is also expected from measures such as increases in excise duties on tobacco products, the reinstatement of standard VAT rates for bread and restaurant services, a 100% dividend policy on state-owned enterprises and from measures to fight tax evasion and avoidance. In 2026, the deficit is expected to remain at 2.8% of GDP. Growth in expenditure on public sector salaries, pensions and social benefits is set to decelerate while revenues, including social contributions, are set to benefit from wage increases in the private sector.

The general government debt-to-GDP ratio is forecast to increase from 24.1% in 2024 to 25.1% in 2025 and further up to 27.1% by 2026, driven by a stable primary deficit above 2% and sustained disinflation. Risks to the fiscal outlook of Bulgaria are still tilted to the downside, as permanent increases in public sector wages and pensions are not fully compensated, and due to the potential impact of planned recapitalisations of state-owned enterprises.

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

	2024			Annual percentage change						
bn BGN		Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		202.9	100.0	2.5	7.8	4.0	1.9	**2.8**	**2.0**	**2.1**
Private Consumption		116.9	57.6	3.0	8.5	3.9	1.4	**4.2**	**3.5**	**2.5**
Public Consumption		39.9	19.7	1.7	0.5	8.0	1.1	**4.6**	**0.3**	**1.9**
Gross fixed capital formation		36.4	17.9	2.5	-8.3	6.5	10.2	**-1.1**	**2.0**	**3.5**
Exports (goods and services)		113.2	55.8	4.9	11.6	12.1	0.0	**-0.8**	**1.6**	**2.1**
Imports (goods and services)		108.5	53.5	4.8	10.7	15.3	-5.5	**1.3**	**2.4**	**2.8**
GNI (GDP deflator)		193.3	95.3	2.2	7.4	2.5	2.3	**3.2**	**2.2**	**2.3**
Contribution to GDP growth:	Domestic demand			2.9	3.5	4.8	2.8	**3.1**	**2.4**	**2.5**
	Inventories			0.0	3.5	0.8	-4.6	**1.0**	**0.0**	**0.0**
	Net exports			-0.4	0.8	-1.6	3.8	**-1.3**	**-0.4**	**-0.3**
Employment				0.0	0.1	1.1	1.1	**1.1**	**0.4**	**0.3**
Unemployment rate (a)				9.5	5.2	4.2	4.3	**4.2**	**4.0**	**3.8**
Compensation of employees / head				8.6	11.3	14.2	13.4	**10.4**	**9.6**	**6.1**
Unit labour costs whole economy				5.9	3.3	10.9	12.5	**8.5**	**7.8**	**4.2**
Saving rate of households (b)				-3.0	-5.6	-6.6	-5.5	**-4.9**	**-3.2**	**-1.5**
GDP deflator				4.4	7.0	15.9	8.0	**6.5**	**5.4**	**2.5**
Harmonised index of consumer prices				2.9	2.8	13.0	8.6	**2.6**	**3.6**	**1.8**
Terms of trade goods				2.0	0.3	2.4	-2.4	**-0.8**	**-0.4**	**0.7**
Trade balance (goods) (c)				-10.7	-4.0	-5.9	-4.1	**-5.2**	**-5.3**	**-5.3**
Current-account balance (c)				-4.7	-0.2	-2.6	0.7	**-0.8**	**-1.1**	**-1.0**
General government balance (c)				-0.7	-4.0	-3.0	-2.0	**-3.0**	**-2.8**	**-2.8**
Fiscal stance (c)				0.6	-1.1	-1.3	1.1	**-0.2**	**-1.1**	**0.8**
Structural budget balance (d)				0.0	-4.0	-3.5	-2.8	**-2.7**	**-3.2**	**-2.7**
General government gross debt (c)				20.5	23.8	22.5	22.9	**24.1**	**25.1**	**27.1**

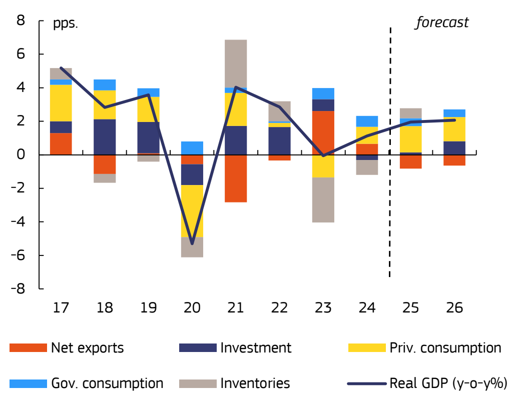
(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.

22. CZECHIA

Czechia's economy resumed its expansion in 2024 with real GDP growth at 1.1% and forecast to accelerate to 1.9% in 2025 and 2.1% in 2026. Growth is expected to be driven primarily by domestic demand, while the external environment remains challenging. The resumption of growth in real wages helped households' consumption re-emerge as the main driver of economic activity, despite still depressed consumer confidence. With ongoing trade wars and an economic slowdown expected for Czechia's main trading partners, net exports are forecast to contribute negatively to growth. Headline inflation is projected at 2.2% in 2025, with services contributing the most and negative energy inflation offsetting the growth in food prices. A forecasted broad-based decline in inflationary pressures leads to headline inflation dropping to 2.0% in 2026. After the phase-out of energy-related measures and the government's public finance consolidation package in 2024, public finances are set to stay in deficit at around 2.3% in 2025 and 2.2% in 2026.

Economic activity driven by internal demand

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



Czechia's real GDP grew by 1.1% in 2024 driven by both domestic and external demand. GDP growth is set to accelerate in 2025 and 2026 with households' consumption and investment activity contributing positively and the contribution from net exports turning negative. Household consumption was the main engine of GDP growth in the last two quarters of 2024. While consumer confidence is still affected by perceived risks of economic and income growth uncertainty, household consumption resumed growth from a low base, propelled by real wage increasing again in 2024. As purchasing power has been eroded by high inflation in 2022-23, household consumption volume is still below 2019 levels, with bigger gaps persisting in housing, water and electricity expenditures or in restaurants and accommodation services. Saving rates are expected to moderate in the forecast horizon but otherwise remain high from historical perspective. They are also skewed towards higher-income households who gained the most from the permanent cut in personal income tax effective from 2021 and who have a lower propensity to consume. Despite contracting in 2024, investment is set to resume growth in 2025 and 2026, due to an assumed increased absorption of EU funds, a recovery in the residential construction and FDIs (e.g. a potential significant investment in a new semiconductors manufacturing facility).

Rising trade restrictions affect the Czech economy mostly indirectly via the exposure of Czech automotive components producers to the main trading partner Germany and are set to weigh on the dynamics of exports' growth. Driven by strong internal demand, imports look set to grow faster than exports and result in a negative contribution of net exports to economic growth. Risks remain to the downside due to the high degree of trade openness of the Czech economy.

Labour market remains tight

Despite the acceleration of economic growth, the unemployment rate is expected to remain stable at 2.6% for the coming two years, one of the lowest in the EU. Recent structural changes in the Czech economy are also reflected in employment, with declining employment in manufacturing, offset by rising employment in services. Nominal wage growth surpassed inflation in 2024 and reached 5.9% and is forecast to continue at 6.5% in 2025 and 5.3% in 2026.

Inflation on a downward path

HICP headline inflation has slowed down to 2.7% in 2024 and is expected to remain low at 2.2% in 2025 and slow further to 2.0% in 2026. Food inflation accelerated in the first months of 2025, propelled by agricultural commodity prices, and is set to add to consumer price pressures in 2025. On the contrary, energy is set to contribute negatively to inflation in 2025 as energy wholesale prices are declining. Services inflation is set to be the highest contributor driven by wage growth. HICP inflation excluding energy, food, alcohol and tobacco is projected above headline inflation at 2.4% in 2024 and 2.2% in 2025.

Czechia's public finances still in deficit

Czechia's general government deficit dropped markedly to 2.2% of GDP in 2024, on the back of the phase-out of energy-related measures and of the government consolidation package that further decreased expenditure and increased revenue. The drop in expenditure as a share of GDP was exacerbated by the reduction of government subsidies to renewable energy sources. After a peak in 2023 due to the completion of projects financed by EU structural funds, public investment decreased in 2024 as percentage of GDP.

The budget deficit is set to stay broadly unchanged at 2.3% of GDP in 2025, with a risk of slippages in view of the upcoming general elections in autumn. The expenditure share in GDP is forecast to stay unchanged, as higher employees' pay and increased government subsidies to renewable energy sources are compensated by higher GDP growth. Revenue is set to be supported by higher social security contributions on account of higher contribution rates, while the growth of taxes on income and wealth is projected to decrease.

Based on unchanged policies, the deficit is expected to decrease to 2.2% in 2026. The revenue-to-GDP ratio is projected to decline, mainly due to the phase-out of the tax on the windfall profits of energy companies. Nonetheless, the expenditure-to-GDP ratio is forecast to decline even faster, as spending on social benefits and public investment is expected to grow slower than GDP.

Public debt remains low compared to the EU average. The public debt-to-GDP ratio is forecast to rise from 43.6% in 2024 to 45.4% in 2026, driven by the negative headline balance, partly offset by nominal GDP growth.

Table III.22.1: **Main features of country forecast – CZECHIA**

	2024		Annual percentage change						
bn CZK	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	8010.7	100.0	2.2	4.0	2.8	-0.1	**1.1**	**1.9**	**2.1**
Private Consumption	3788.6	47.3	1.8	4.2	0.5	-2.8	**2.2**	**3.3**	**3.0**
Public Consumption	1610.2	20.1	1.3	1.5	0.4	3.4	**3.3**	**2.4**	**2.2**
Gross fixed capital formation	2096.1	26.2	2.1	6.7	6.3	2.5	**-1.2**	**0.6**	**3.2**
Exports (goods and services)	5546.5	69.2	5.3	8.2	5.1	2.7	**1.8**	**1.1**	**2.4**
Imports (goods and services)	5020.8	62.7	4.6	13.7	5.9	-0.9	**0.9**	**2.5**	**3.6**
GNI (GDP deflator)	7659.1	95.6	2.2	6.5	1.6	2.7	**-1.9**	**1.9**	**2.2**
Contribution to GDP growth: Domestic demand			1.7	4.0	2.0	0.0	**1.3**	**2.2**	**2.7**
Inventories			-0.1	2.8	1.2	-2.7	**-0.9**	**0.6**	**0.0**
Net exports			0.6	-2.8	-0.3	2.6	**0.7**	**-0.8**	**-0.6**
Employment			0.5	1.0	1.0	1.0	**0.3**	**0.4**	**0.2**
Unemployment rate (a)			5.3	2.8	2.2	2.6	**2.6**	**2.6**	**2.6**
Compensation of employees / head			4.1	6.2	6.9	6.7	**5.9**	**6.5**	**5.3**
Unit labour costs whole economy			2.4	3.1	5.0	7.9	**5.0**	**4.9**	**3.4**
Saving rate of households (b)			12.4	19.6	18.2	19.4	**18.4**	**17.7**	**17.4**
GDP deflator			1.8	4.0	8.7	8.1	**4.0**	**2.9**	**2.8**
Harmonised index of consumer prices			2.1	3.3	14.8	12.0	**2.7**	**2.2**	**2.0**
Terms of trade goods			-0.2	-0.1	-4.2	3.3	**1.3**	**0.9**	**0.8**
Trade balance (goods) (c)			2.8	1.7	-0.3	3.9	**5.2**	**4.9**	**4.6**
Current-account balance (c)			-2.3	-0.5	-4.3	2.6	**1.2**	**0.8**	**0.5**
General government balance (c)			-1.9	-5.0	-3.1	-3.8	**-2.2**	**-2.3**	**-2.2**
Fiscal stance (c)			-0.4	-1.4	-0.2	0.4	**2.4**	**0.1**	**-0.1**
Structural budget balance (d)			-0.7	-4.7	-3.3	-3.2	**-1.6**	**-1.7**	**-2.0**
General government gross debt (c)			34.8	40.7	42.5	42.5	**43.6**	**44.5**	**45.4**

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

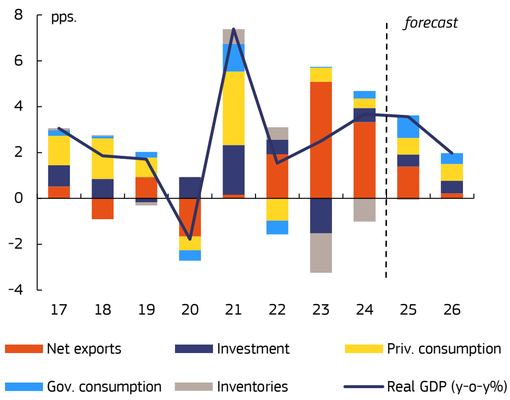
23. DENMARK

The Danish economy is forecast to withstand current geopolitical uncertainties and expand further in 2025 and 2026, driven by industrial production in combination with renewed North Sea energy extraction. Unemployment is set to rise marginally from present levels. Public finances are robust, with continued, albeit declining, general government surpluses in both 2025 and 2026.

Economic expansion driven by exports as domestic demand picks up too

The Danish economy enjoys strong industrial production expansion, driven in part by the pharmaceutical sector. Net exports have been the main driver behind growth thanks to strong exports of pharmaceutical and other industrial production. Expansion in the economy was particularly strong in the last quarter of 2024, resulting in an annual growth rate of 3.7% for the year. The carry-over for 2025 is of more than 2% annual growth. Furthermore, the full reopening of gas extraction from the North Sea in early 2025 should add to the economic expansion, as well as making Denmark more than self-sufficient with natural gas. Notwithstanding the current geopolitical and trade uncertainties, Denmark enjoys a still positive growth outlook for 2025. Private and public consumption as well as investments, helped by lower interest rates, increasingly take over as the main factors behind economic growth. Real wage increases are boosting household real incomes, which are projected to translate into higher consumption for both this year and next notwithstanding current weak consumer confidence. Overall, real GDP is forecast to grow by 3.6% in 2025, easing to a rate of 2.0% in 2026.

Graph III.23.1: **Denmark - Real GDP growth and contributions**



Labour market pressures easing

Employment is expected to rise modestly over the forecast horizon, as opposed to the markedly stronger increases in recent years. As the labour force continues to expand with higher participation of older workers and international labour, the number of unemployed persons is projected to increase slightly in both 2025 and 2026 [66]. The unemployment rate is set to increase from 6.2% in 2024 and 2025 to 6.3% in 2026. While still prevalent in some key sectors, notably ICT, healthcare and construction, labour market bottlenecks appear to be easing. Both nominal and real wages are expected to continue growing in 2025 and 2026 but based on concluded collective agreements the increases are expected to be lower than in the previous two years.

Uncertain outlook for exports

Foreign trade is likely to be marked by ongoing geopolitical and customs tariff uncertainties. Still, the forecast is for continued strong growth in exports and imports of goods in 2025, while the trade in goods could decelerate somewhat in 2026. Trade in services is projected to be more subdued in both years as lower global trade growth impacts the shipping industry. In 2024 and preceding years, Danish growth was predominantly driven by net exports, but this is expected to change over the forecast period, as the growth contribution from net exports dissipates towards 2026. Increased tariffs and increasing fragmentation of global trade are key risks to the outlook as it may result in more difficult sales opportunities for Danish export companies, potentially leading

[66] A data break implies a marked increase in the unemployment rate from 2023 to 2024.

to a decline in exports. In particular, the increased importance of the pharmaceutical sector means that any major swings in production and demand within this sector would have economy-wide implications. Volatility in sea freight rates, as witnessed over the past years, could also impact the foreign trade balance and the balance of payments significantly.

Inflation to remain below 2%

Headline inflation has been increasing since a low point reached in spring 2024, driven by higher energy and food inflation. In contrast, non-energy industrial goods inflation and service inflation have decreased markedly over the year. Looking ahead, headline inflation is set to rise from 1.3% in 2024 to 1.6% in 2025 and 1.5% in 2026, as falling commodity prices, low non-energy industrial goods inflation and slowing wage growth contribute to a stable inflation outlook.

Strong government finances

Denmark recorded a general government surplus of 4.5% of GDP in 2024, driven by higher tax revenues due to strong personal income tax, business tax and unexpectedly high pension yield tax revenues. The forecast is for continued, albeit declining, general government surpluses in 2025 of 1.5% of GDP and 2026 of 0.6%, as government expenditures outgrow increases in revenues. This reflects inter alia plans for a continued marked increase in military expenditures. This includes a 2025-2026 "Acceleration Fund" for military equipment totalling up to 1.6% of GDP, of which a significant share is expected to materialise in 2025-2026 as well as continued donations to Ukraine. Slightly higher unemployment should also contribute to higher social expenditures. Continued government surpluses and significant denominator effects, only partly countered by stock-flow effects, are expected to bring the gross debt level to 29.7% of GDP in 2025 and further down to 29.4% in 2026.

Table III.23.1: **Main features of country forecast – DENMARK**

	2024				Annual percentage change					
	bn DKK	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		2960.9	100.0	1.1	7.4	1.5	2.5	**3.7**	**3.6**	**2.0**
Private Consumption		1332.0	45.0	1.3	6.8	-2.1	1.4	**0.9**	**1.6**	**1.7**
Public Consumption		668.2	22.6	1.1	4.9	-2.5	0.2	**1.4**	**4.4**	**2.1**
Gross fixed capital formation		657.6	22.2	1.9	9.8	2.8	-6.6	**2.7**	**2.4**	**2.5**
Exports (goods and services)		2064.5	69.7	2.8	8.8	7.2	10.4	**7.5**	**5.4**	**2.5**
Imports (goods and services)		1744.4	58.9	3.5	9.5	4.4	3.7	**3.0**	**4.0**	**2.6**
GNI (GDP deflator)		3062.3	103.4	1.3	8.1	0.8	2.2	**4.3**	**3.6**	**2.0**
Contribution to GDP growth:	Domestic demand			1.3	6.6	-0.9	-0.9	**1.4**	**2.2**	**1.8**
	Inventories			0.0	0.6	0.6	-1.7	**-1.0**	**-0.1**	**0.0**
	Net exports			-0.2	0.2	1.9	5.1	**3.3**	**1.4**	**0.2**
Employment				0.5	2.3	4.0	1.3	**0.8**	**0.5**	**0.0**
Unemployment rate (a)				5.9	5.1	4.5	5.1	**6.2**	**6.2**	**6.3**
Compensation of employees / head				2.3	3.1	2.6	3.1	**4.4**	**3.9**	**2.9**
Unit labour costs whole economy				1.8	-1.8	5.0	1.9	**1.5**	**0.8**	**1.0**
Saving rate of households (b)				5.9	5.8	9.7	9.7	**9.1**	**11.5**	**11.7**
GDP deflator				1.7	2.8	9.1	-3.8	**1.8**	**1.7**	**1.9**
Harmonised index of consumer prices				1.3	1.9	8.5	3.4	**1.3**	**1.6**	**1.5**
Terms of trade goods				0.8	-4.7	-7.7	1.7	**-1.0**	**0.5**	**-0.1**
Trade balance (goods) (c)				3.9	3.3	2.8	7.4	**9.4**	**10.4**	**10.4**
Current-account balance (c)				5.8	8.7	11.7	9.8	**13.0**	**13.7**	**13.5**
General government balance (c)				1.0	4.1	3.4	3.3	**4.5**	**1.5**	**0.6**
Fiscal stance (c)				0.5	2.6	1.2	-1.8	**0.5**	**-2.6**	**-0.7**
Structural budget balance (d)				1.6	4.3	4.4	4.6	**5.6**	**1.3**	**0.4**
General government gross debt (c)				42.0	40.5	34.1	33.6	**31.1**	**29.7**	**29.4**

(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

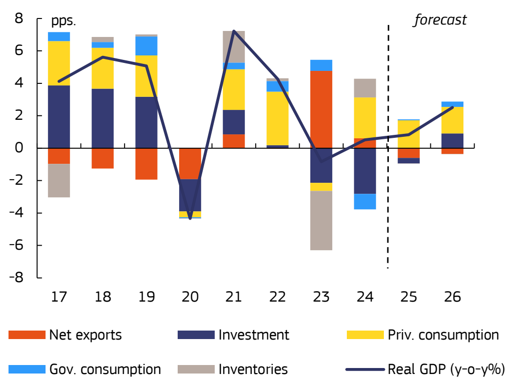
GDP is projected to grow at 0.8% in 2025 and to pick up to 2.5% in 2026, supported by consumption and a gradual recovery of investment and exports. Although inflation has decreased from very high levels, underlying inflationary pressures remain strong. After a significant correction in 2024, the general government deficit is projected to remain elevated at 4.6% this year. The debt-to-GDP ratio is expected to increase to reach 74.1% this year.

The economic recovery is facing headwinds

Real GDP grew by 0.5% in 2024, benefitting from steady consumption bolstered by substantial wage increases and a decline in households' savings. By contrast, investment declined, due to an uncertain business environment and cuts in public investment. Exports remained sluggish due do the weak performance of machinery and vehicle exports. Economic activity declined in 2025 Q1 by an estimated 0.2% q-o-q, partly owing to a decline in industrial production.

GDP growth is forecast to reach 0.8% in 2025 and 2.5% in 2026. Private consumption is expected to remain the key growth driver, supported by real income growth, as well as higher personal income tax exemptions and allowances. Investment, particularly by corporations, is expected to be limited in 2025 but is set to rebound in 2026 as the headwinds from global trade uncertainties ease and government-supported construction picks up. Exports are projected to recover, driven by improving demand and new production capacity in FDI-funded facilities. Higher domestic demand is also set to boost imports and reduce the current account balance while income outflows to the rest of the world are assumed to remain low.

Graph III.24.1: **Hungary - real GDP growth and contributions**



Risks to the outlook include subdued external demand, which is particularly important given Hungary's trade exposure and deep integration into global supply chain in key sectors, as well as inflationary pressures, which have been exacerbated by high wage increases and other government-funded policy measures.

The labour market is expected to remain tight overall

The unemployment rate increased to 4.5% in 2024, while the number of job vacancies fell. A gradual economic recovery is expected to take place and lower the unemployment rate to around 4.3% by 2026. Nominal wage growth is set to remain elevated in 2025 and 2026, driven by a further 9% minimum wage increase in 2025, the tight labour market, wage hikes in the public sector.

Inflationary pressures persist

HICP inflation averaged 3.7% in 2024, with HICP inflation excluding energy and food reaching 5.9%. Inflation increased in 2025 Q1 due to excise duty hikes, a rebound in food inflation and persistent momentum in services inflation. Domestic demand and rising food prices are expected to keep inflation elevated in 2025. Although price regulations and negotiations between the government and major service providers are set to moderate inflation temporarily, prices are likely to adjust once those measures end in 2025 and 2026. Inflation is forecast to increase to 4.1% in 2025, before decreasing to 3.3% in 2026, driven by lower commodity and energy prices along with somewhat easing wage pressures.

The budget deficit is set to remain elevated

The budget deficit decreased from 6.7% of GDP in 2023 to 4.9% of GDP in 2024, driven mostly by lower spending on energy subsidies and postponements in public investments. In 2025, the deficit is projected to narrow further to 4.6%. Primary expenditure growth is set to remain high as a result of public wage increases and growing operating expenditure. Interest expenditure is forecast to decrease due to lower coupons on inflation-linked bonds, while energy subsidies are set to decline further. Public investment is expected to stabilise after a large drop in 2024.

In 2026, the deficit is projected to increase slightly to 4.7% of GDP, driven by recent new policy measures. Income taxes are set to decrease significantly due to the planned introduction of a personal income tax exemption for mothers and an increase in the family tax allowance, totalling an estimated 0.6% of GDP. These will be partially offset by the extension of sectoral taxes which were due to expire in 2025. Public wage growth is set to remain high on account of bonuses for military and law enforcement staff, estimated at 0.5% of GDP.

The fiscal outlook is surrounded by downside risks stemming from growth and domestic policy uncertainties.

The debt-to-GDP ratio increased in 2024, in part due to a weakening of the forint and the acquisition of the Budapest airport. It is projected to increase further to 74.5% of GDP in 2025 as large cash interest payments accrued in previous year are due. It is projected to decline slightly in 2026.

Table III.24.1: **Main features of country forecast – HUNGARY**

		2024			Annual percentage change					
	bn HUF	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		81514.2	100.0	1.7	7.2	4.3	-0.8	**0.5**	**0.8**	**2.5**
Private Consumption		41221.4	50.6	1.3	5.1	6.9	-1.0	**5.1**	**3.4**	**3.2**
Public Consumption		16513.9	20.3	1.4	2.0	3.2	3.3	**-4.6**	**0.3**	**1.5**
Gross fixed capital formation		19056.8	23.4	2.4	5.7	0.7	-7.7	**-11.1**	**-1.5**	**4.0**
Exports (goods and services)		60861.6	74.7	5.7	8.3	10.7	1.7	**-3.0**	**0.2**	**2.8**
Imports (goods and services)		56337.5	69.1	5.0	7.4	10.7	-3.4	**-4.0**	**1.1**	**3.5**
GNI (GDP deflator)		79500.0	97.5	1.9	6.3	4.6	-1.2	**1.1**	**0.8**	**2.5**
Contribution to GDP growth:	Domestic demand			1.5	4.4	4.1	-2.0	**-1.2**	**1.4**	**2.9**
	Inventories			-0.4	1.9	0.2	-3.6	**1.2**	**0.0**	**0.0**
	Net exports			0.6	0.8	0.0	4.8	**0.6**	**-0.6**	**-0.4**
Employment				0.7	1.8	1.5	0.3	**0.1**	**0.1**	**0.3**
Unemployment rate (a)				7.2	4.0	3.6	4.1	**4.5**	**4.4**	**4.3**
Compensation of employees / head				4.0	8.6	17.1	14.9	**12.6**	**8.7**	**7.8**
Unit labour costs whole economy				3.0	3.2	14.0	16.2	**12.2**	**7.9**	**5.5**
Saving rate of households (b)				12.7	19.1	16.9	20.0	**18.0**	**17.4**	**17.1**
GDP deflator				3.7	6.2	14.2	15.2	**7.3**	**4.9**	**3.6**
Harmonised index of consumer prices				3.4	5.2	15.3	17.0	**3.7**	**4.1**	**3.3**
Terms of trade goods				-0.1	-3.7	-6.9	6.3	**0.6**	**0.6**	**0.2**
Trade balance (goods) (c)				0.4	-2.9	-9.2	-0.2	**0.7**	**0.2**	**-0.1**
Current-account balance (c)				-1.5	-3.9	-8.4	0.5	**2.4**	**2.0**	**1.5**
General government balance (c)				-4.1	-7.1	-6.2	-6.7	**-4.9**	**-4.6**	**-4.7**
Fiscal stance (c)				-0.6	-2.8	-1.4	3.8	**3.3**	**-0.4**	**-1.0**
Structural budget balance (d)				-3.4	-7.4	-7.3	-6.6	**-4.5**	**-4.0**	**-4.7**
General government gross debt (c)				73.0	76.2	73.9	73.0	**73.5**	**74.5**	**74.3**

(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

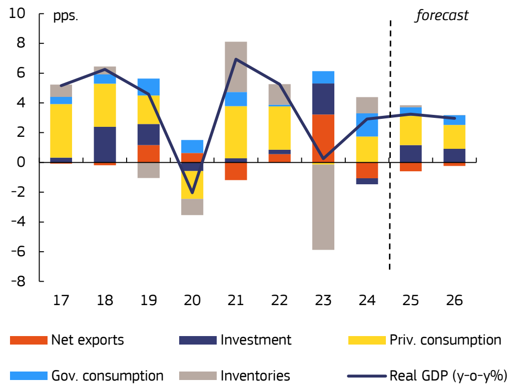
Economic growth in Poland is set to remain robust in 2025 and 2026, supported by strong private consumption and investment, while net exports are expected to be a drag on the economy. Inflation eased in 2024 and is forecast to continue moderating in 2025 and 2026. In spite of the deterioration of the general government deficit in 2024, a gradual fiscal consolidation is expected in 2025 and 2026.

Growth to remain robust in 2025 and 2026

In 2024, real GDP grew by 2.9%, broadly in line with the Autumn Forecast. Private consumption supported economic growth, underpinned by rising real wages, increased government spending on benefits for families and receding inflationary pressures. Net exports posed a drag on growth. Total investment declined due to a contraction of construction investment.

In 2025, real GDP is forecast to increase by 3.3%. Private consumption is set to remain the key driver of growth as real disposable income continues to rise robustly. Following the decline in 2024, investment growth is set to pick up strongly mainly due to higher EU-funded public investment. The negative contribution from net exports registered in 2024 is expected to narrow somewhat.

Graph III.25.1: **Poland - Real GDP growth and contribution**



In 2026, economic growth is projected to reach 3%. The contribution from private consumption is set to remain strong, but decrease compared to the previous year as real disposable income growth is projected to slow further. The positive contribution from investment to growth reflects the absorption of EU funds, in particular in the final year of RRF implementation, supporting investment by public and private sector. The negative contribution from net exports is projected to shrink further as exports recover.

Risks to the outlook relate mainly to delays in the implementation of public investment and, on the upside, a faster growth of private consumption given the assumed relatively high savings rate by households as observed in 2024.

Labour market stable

Employment fell in 2024 but is projected to remain broadly stable in 2025 and pick up in 2026. While demand for labour recovers with increasing economic growth, the population of working age is set to continue shrinking due to aging. After having reached a historic high in 2024, the activity rate is projected to continue increasing in 2025 and 2026. The unemployment rate is therefore set to remain broadly stable and reach 2.8% in 2026. Growth in nominal compensation per employee is expected to slow from 12.3% in 2024 to 6.2% in 2025 and to 4.8% in 2026 as inflation moderates and minimum wage increases less than in 2023 and 2024.

Inflation easing slowly

HICP inflation decreased to 3.7% in 2024 and is projected to edge down to 3.6% in 2025. The forecast factors in the legislated changes in energy support in the second half of 2025, but the impact is set to be limited by the recent sharp correction in energy commodity prices. Inflation in services is projected to ease only gradually reflecting continued wage pressures. Headline inflation is forecast to moderate to 2.8% in 2026 benefiting from a projected decrease in energy inflation and weak growth in imported non-energy goods prices.

Gradual fiscal consolidation

The general government deficit turned out at 6.6% of GDP in 2024, compared to the Autumn Forecast's projection of 5.8% of GDP. The increase was partially due to tax revenues rising well below economic activity. Higher public consumption, including growth of salaries of the public sector employees, as well as higher than estimated defence investments, also contributed to the higher deficit.

In 2025, public spending is set to remain high, driven by increasing defence spending, investments, social benefits and interest expenditure. Total public investment expenditure is expected to exceed 5% of GDP, resulting from accelerated military equipment deliveries and substantial investments in transport and energy infrastructure. The indexation of pensions and new social benefits, including the 'Active Parent' programme, social contribution holidays for entrepreneurs and the widow's pension, are also set to increase government expenditure. Interest expenditure is expected to rise due to growing public debt. Spending on healthcare is also set to increase further in relation to GDP. In contrast, measures announced in Poland's medium-term fiscal-structural plan, such as excise duty hikes and non-indexation of personal income tax brackets, are expected to increase government revenues, supporting a gradual fiscal consolidation. The general government deficit is projected to decrease to 6.4% of GDP in 2025.

In 2026, a continuation of the same trends is expected, before the adoption of the draft budget which may specify further consolidation measures. Expenditures are expected to remain at a high level, driven by broadly similar factors as in 2025. The revenue measures included in the medium-term plan are set to provide for an additional increase in tax revenues. The general government deficit is projected to further decrease to 6.1% of GDP.

The public debt-to-GDP ratio is expected to increase steadily, from 55.3% in 2024 to 58.0% in 2025 and 65.3% in 2026, driven by high deficits and stock-flow adjustments related to defence investments and one-off transfers related to investments financed by RRF loans in 2026.

Table III.25.1: **Main features of country forecast - POLAND**

		2024		Annual percentage change						
	bn PLN	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		3641.2	100.0	3.7	6.9	5.3	0.2	**2.9**	**3.3**	**3.0**
Private Consumption		2096.0	57.6	3.1	6.2	5.2	-0.3	**3.0**	**3.4**	**2.8**
Public Consumption		756.4	20.8	3.0	5.0	0.6	4.5	**8.2**	**2.8**	**3.2**
Gross fixed capital formation		614.8	16.9	4.9	1.5	1.7	12.7	**-2.2**	**6.9**	**5.3**
Exports (goods and services)		1905.4	52.3	6.6	12.3	7.4	3.7	**2.0**	**1.6**	**2.3**
Imports (goods and services)		1759.5	48.3	5.9	16.3	6.8	-1.5	**4.2**	**3.0**	**3.1**
GNI (GDP deflator)		3507.6	96.3	3.6	6.1	5.7	0.4	**3.1**	**3.5**	**3.0**
Contribution to GDP growth:	Domestic demand			3.5	4.7	3.3	2.8	**2.9**	**3.7**	**3.2**
	Inventories			0.0	3.4	1.4	-5.7	**1.1**	**0.1**	**0.0**
	Net exports			0.2	-1.2	0.6	3.2	**-1.1**	**-0.6**	**-0.2**
Employment				1.3	2.9	1.1	0.1	**-0.7**	**0.1**	**0.3**
Unemployment rate (a)				8.7	3.4	2.9	2.8	**2.9**	**2.8**	**2.8**
Compensation of employees / head				4.6	4.7	12.3	14.4	**12.3**	**6.2**	**4.8**
Unit labour costs whole economy				2.2	0.8	7.9	14.2	**8.3**	**2.9**	**2.0**
Saving rate of households (b)				7.1	5.1	1.0	2.4	**6.6**	**6.6**	**6.5**
GDP deflator				2.2	5.3	10.7	9.9	**3.6**	**4.2**	**3.1**
Harmonised index of consumer prices				2.1	5.2	13.2	10.9	**3.7**	**3.6**	**2.8**
Terms of trade goods				0.7	-2.0	-3.7	1.7	**-1.4**	**3.1**	**0.0**
Trade balance (goods) (c)				-2.3	-1.3	-3.3	0.6	**-0.8**	**0.0**	**-0.2**
Current-account balance (c)				-3.0	-1.4	-2.9	1.8	**0.2**	**1.0**	**0.7**
General government balance (c)				-3.7	-1.7	-3.4	-5.3	**-6.6**	**-6.4**	**-6.1**
Fiscal stance (c)				0.1	1.1	-3.2	-0.9	**-1.8**	**-0.3**	**0.1**
Structural budget balance (d)				-2.4	-2.2	-4.5	-4.7	**-6.1**	**-6.1**	**-6.1**
General government gross debt (c)				50.7	53.0	48.8	49.5	**55.3**	**58.0**	**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.

26. ROMANIA

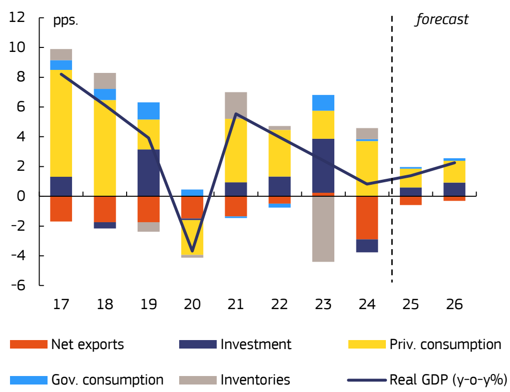
After a lacklustre 2024, Romania's economy was on course to pick up speed at the start of 2025, due, in particular, to construction, agriculture and services, and better export prospects. However, the uncertainties generated by the imposition of US tariffs, and also by heightened domestic political and fiscal volatility are expected to dampen exports, economic sentiment, and ultimately investment and consumption. This is expected to result in only moderate real GDP growth of 1.4% in 2025 that is set to further strengthen to 2.2% in 2026. Inflation is projected to ease, but to remain high, while unemployment is projected to decline marginally. The general government deficit was 9.3% of GDP in 2024, fuelled by very large increases in public wages and pensions. It is projected to decline modestly to 8.6% of GDP in 2025 and 8.4% in 2026, reflecting a package of measures implemented at the end of 2024.

Modest pick-up in growth amid high uncertainty

Economic sentiment remained in positive territory at the beginning of 2025, despite economic headwinds and persistent uncertainty. Construction, agriculture and transport services show improved performance prospects, also helped by the Schengen membership and infrastructure upgrades. A strong rebound in residential construction together with robust EU-funded investment in public infrastructure bode well for a recovery in gross fixed capital formation, despite private investment being negatively impacted by pronounced fiscal uncertainty and geopolitical volatility. At the same time, high frequency indicators point to a deceleration of retail sales and private consumption, as restrictive income policies and still high inflation are likely to depress growth in disposable income.

While Romania has only limited trade with the USA, the US increase in tariffs is expected to limit the recovery of Romania's exports, in particular of manufactured goods, due to the negative impact on Romania's EU trading partners. The negative contribution of net exports to GDP growth is forecast to drop in 2025 as deceleration in domestic demand lowers import growth, and prospects for exports of services and agricultural products improved. Overall, real GDP growth is projected to pick up only modestly to 1.4% in 2025, below potential.

Graph III.26.1: **Romania - Real GDP growth and contributions**



In 2026, lower inflation and the easing of monetary policy leading to more favourable financing conditions are expected to support private consumption growth. Assuming that political and fiscal uncertainty subsides, investor confidence will strengthen, accelerating the recovery in gross fixed capital formation. With better growth prospects for EU trading partners, exports are expected to gain further traction, but the contribution of net exports to GDP growth is projected to remain slightly negative. Overall, real GDP growth is set to moderately strengthen to 2.2%. After a significant widening in 2024, the current account deficit is projected to narrow progressively, but remain at still high levels of close to 8% of GDP in 2025 and 7% of GDP in 2026. Risks to the forecast are tilted to the downside, in particular if domestic political and fiscal uncertainty persists and external demand suffers a larger hit than estimated.

Wage increases to moderate over the forecast horizon

Labour market tensions have eased and employment growth is set to continue in both 2025 and 2026, primarily supported by more hirings in the private sector. The unemployment rate is projected to decline further to close to 5% by end-2026. The double-digit growth in nominal wages continued in 2024, affecting cost competitiveness, but the pace of wage increases is projected to moderate significantly over the forecast horizon. A freeze in public wages was enacted in December 2024 and the introduction of a minimum wage setting mechanism in February 2025 is likely to contain further large increases in private sector wages.

Disinflation process to remain bumpy

After a notable decline in HICP inflation to 5.8% on average in 2024, disinflation is likely to continue, but only slowly in 2025. Headline inflation excluding energy and foods, in particular of services, remains sticky and the foreseen eliminiation of the cap on electricity prices for households is expected to push up domestic energy prices. Conversly, the evolution of agri-food and international energy prices may contribute to lowering inflation. Overall, average HICP inflation is projected to decline marginally to around 5% in 2025 and follow a more pronounced downward trend to below 4% in 2026.

Government deficit is projected to decline gradually in 2025 and 2026

Romania's general government deficit reached 9.3% of GDP in 2024, fuelled by large increases in public sector wages, interest payments, and pensions.

At the end of 2024, the parliament adopted a package of fiscal consolidation measures worth around 2% of GDP. The package includes a nominal freeze in public wages and pensions, and revenue measures amounting to 0.3% of GDP. As a result, the deficit is projected to decline to 8.6% of GDP in 2025 and, under unchanged policies, to 8.4% in 2026. This forecast does not include the impact of the tax reform and other measures planned in Romania's MTFSP, which if properly designed and timely implemented have the potential to materially lower the deficit in 2025 and, to a greater extent, in 2026. Government debt is projected to increase from 48.9% of GDP in 2023 to about 63% of GDP in 2026, mostly driven by high government deficits and a projected increase in interest payments.

Table III.26.1: **Main features of country forecast – ROMANIA**

		2024		Annual percentage change						
bn RON		Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		1760.1	100.0	3.1	5.5	4.0	2.4	**0.8**	**1.4**	**2.2**
Private Consumption		1117.4	63.5	4.3	7.0	5.1	3.0	**6.0**	**2.0**	**2.3**
Public Consumption		322.4	18.3	2.0	-0.6	-1.4	6.3	**0.7**	**0.6**	**1.0**
Gross fixed capital formation		451.7	25.7	5.2	4.0	5.4	14.5	**-3.3**	**2.3**	**3.6**
Exports (goods and services)		626.5	35.6	8.3	12.6	9.3	-0.8	**-3.1**	**1.8**	**2.8**
Imports (goods and services)		733.9	41.7	9.6	14.6	9.3	-1.1	**3.8**	**2.9**	**3.2**
GNI (GDP deflator)		1711.6	97.2	3.3	4.8	2.7	2.7	**0.9**	**1.6**	**2.5**
Contribution to GDP growth:	Domestic demand			4.7	5.1	4.2	6.6	**2.9**	**2.0**	**2.6**
	Inventories			-0.3	1.8	0.3	-4.4	**0.8**	**0.0**	**0.0**
	Net exports			-1.2	-1.3	-0.5	0.2	**-2.9**	**-0.6**	**-0.3**
Employment				-0.5	0.8	0.7	-1.5	**1.8**	**0.6**	**0.7**
Unemployment rate (a)				7.7	5.6	5.6	5.6	**5.4**	**5.3**	**5.2**
Compensation of employees / head				9.7	6.4	13.7	18.1	**16.6**	**8.9**	**6.9**
Unit labour costs whole economy				5.8	1.6	10.2	13.6	**17.8**	**8.0**	**5.3**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				6.4	5.6	12.1	12.8	**8.8**	**6.5**	**5.8**
Harmonised index of consumer prices				4.0	4.1	12.0	9.7	**5.8**	**5.1**	**3.9**
Terms of trade goods				1.8	0.9	-1.4	1.3	**1.3**	**1.4**	**1.8**
Trade balance (goods) (c)				-8.8	-9.5	-11.4	-8.9	**-9.3**	**-9.2**	**-8.7**
Current-account balance (c)				-4.5	-7.3	-9.6	-7.3	**-8.5**	**-7.9**	**-7.0**
General government balance (c)				-3.9	-7.1	-6.4	-6.6	**-9.3**	**-8.6**	**-8.4**
Fiscal stance (c)				-1.5	0.3	-0.9	0.4	**-0.8**	**1.4**	**-0.1**
Structural budget balance (d)				-2.9	-6.4	-6.4	-6.4	**-8.8**	**-7.9**	**-7.9**
General government gross debt (c)				29.7	48.3	47.9	48.9	**54.8**	**59.4**	**63.3**

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

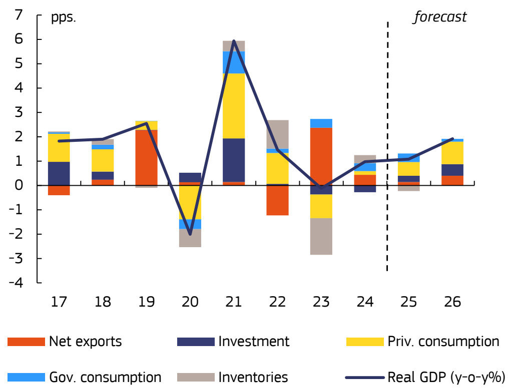
27. SWEDEN

Following a protracted period of weak growth, economic activity in Sweden is projected to remain sluggish in 2025 before starting to pick up somewhat in 2026. Trade and financial market disruptions are set to delay the recovery, given the high degree of openness of the Swedish economy. Inflation is expected to stay just above 2% in 2025 and to fall in 2026, reflecting import price pass-through, weak resource utilisation, and modest wage increases. The labour market is expected to follow the weak economic conditions and improve slowly in 2026. Public finances are projected to improve somewhat. The general government deficit, at 1.5% of GDP in 2024, is expected to remain stable in 2025 before decreasing to just under 1% of GDP in 2026. The gross debt-to-GDP ratio is set to remain stable at just below 34%.

Uncertainty to delay recovery

At the end of 2024, the Swedish economy started to show signs of a cyclical upturn, supported by lower interest rates and fading price pressures. However, real GDP stagnated in the first quarter of 2025 and the recovery is expected to be delayed by global trade disruptions. In addition to the direct negative effects of external economic developments, heightened uncertainty is set to weigh on business and consumer confidence. This in turn is set to hold back private consumption and investment, particularly in cyclically sensitive equipment, even though housing construction is expected to bottom out. Economic growth is set to gradually pick up in 2026, primarily supported by stronger private consumption growth as households are expected to reduce their savings rate in view of receding uncertainty, disinflation and improved conditions in the labour market. Overall, real GDP growth is forecast to average 1.1% in 2025 and 1.6% in 2026. The balance of risks is nevertheless tilted to the downside.

Graph III.27.1: **Sweden - Real GDP growth and contributions**



Labour market to remain weak

In response to modest economic growth, the labour market is expected to remain weak in 2025, with the unemployment rate rising to 8.7% before falling backs somewhat in 2026 on the back of a modest pick-up in employment following the expected recovery with a lag. This notwithstanding, structural unemployment is set to remain relatively high, negatively affected by education and skill gaps. Social partners agreed nominal wage rises of around 3.5% in both 2025 and 2026 which is expected to help secure real wage gains with limited inflationary pressures and low increases in unit labour costs over the forecast horizon.

Inflation to recede in 2026

Consumer price inflation is set to remain somewhat above 2% throughout 2025, reflecting persistent rises in food prices partly offset by trade-induced decreases in prices of non-industrial goods and lower energy prices. Inflation is set to fall below 2% in 2025, reflecting a number of factors. These include the fading price impact of trade-induced supply effects, the delayed impact of the effective appreciation of the krona, moderate increases in unit labour costs, and the absence of demand pressures on prices.

Public finances remain in moderate deficit

The general government balance in 2024 was -1.5%, due to weak overall growth and a capital injection into the central bank, worth over one third of a percentage point of GDP. In 2025, with continued substantial spending on infrastructure and defence and slowing tax revenue growth, the balance is set to remain stable at -1.5% of GDP. As growth is expected to pick up in 2026, and with it government revenue, the nominal general government balance is set to improve to -0.8% of GDP.

While increasing somewhat from 2024, the general government gross debt ratio is projected to remain stable over the forecast horizon between 33 and 34% of GDP.

Table III.27.1: **Main features of country forecast - SWEDEN**

		2024			Annual percentage change						
	bn SEK	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		6447.5	100.0	1.7	5.9	1.5	-0.1	**1.0**	**1.1**	**1.9**
Private Consumption		2878.6	44.6	2.0	6.0	2.8	-2.1	**0.3**	**1.3**	**2.1**
Public Consumption		1697.8	26.3	1.1	3.4	0.7	1.4	**1.2**	**1.3**	**0.4**
Gross fixed capital formation		1572.6	24.4	2.7	7.3	0.3	-1.5	**-1.1**	**1.0**	**2.0**
Exports (goods and services)		3520.4	54.6	2.7	11.9	6.2	3.7	**2.3**	**2.0**	**1.9**
Imports (goods and services)		3237.3	50.2	3.2	12.8	9.7	-0.8	**1.7**	**1.8**	**1.3**
GNI (GDP deflator)		6730.6	104.4	1.9	6.1	1.8	0.1	**1.1**	**0.4**	**1.8**
Contribution to GDP growth:	Domestic demand			1.8	5.4	1.5	-1.0	**0.2**	**1.2**	**1.5**
	Inventories			0.0	0.4	1.2	-1.5	**0.3**	**-0.2**	**0.0**
	Net exports			-0.1	0.1	-1.2	2.4	**0.4**	**0.1**	**0.4**
Employment				1.0	1.3	3.5	1.2	**-0.3**	**0.2**	**0.5**
Unemployment rate (a)				7.5	8.9	7.5	7.7	**8.4**	**8.7**	**8.4**
Compensation of employees / head				3.0	4.9	2.1	5.4	**4.7**	**3.7**	**3.5**
Unit labour costs whole economy				2.2	0.2	4.2	6.7	**3.4**	**2.8**	**2.0**
Saving rate of households (b)				13.4	17.5	14.8	16.2	**18.1**	**17.4**	**15.9**
GDP deflator				1.9	2.7	5.8	6.0	**2.8**	**1.7**	**1.7**
Harmonised index of consumer prices				1.4	2.7	8.1	5.9	**2.0**	**2.2**	**1.6**
Terms of trade goods				0.3	0.1	-4.5	0.7	**0.5**	**1.0**	**0.2**
Trade balance (goods) (c)				4.3	4.6	3.7	5.4	**5.9**	**6.1**	**6.2**
Current-account balance (c)				4.7	6.3	4.2	6.7	**7.0**	**6.8**	**7.0**
General government balance (c)				0.2	-0.2	1.0	-0.8	**-1.5**	**-1.5**	**-0.8**
Fiscal stance (c)				0.5	-0.2	0.5	0.0	**-0.7**	**0.7**	**0.4**
Structural budget balance (d)				0.0	-0.4	0.9	0.0	**-0.5**	**-0.4**	**0.0**
General government gross debt (c)				41.0	36.9	33.8	31.6	**33.5**	**33.8**	**33.3**

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

Candidate Countries

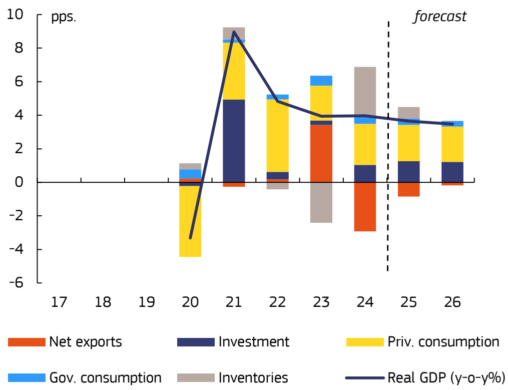
28. ALBANIA

Following a strong growth momentum in previous years, Albania's economy is expected to grow by 3.6% in 2025 and 3.5% in 2026, driven by domestic demand. Supported by tourism, exports of services are set to continue expanding, while exports of goods are expected to rebound somewhat following two years of significant contraction. After a rapid decline in 2024, inflation is expected to gradually return to the 3% target next year. The fiscal deficit is set to widen before falling below 2% of GDP in 2026. The public debt-to-GDP ratio is forecast to decrease only gradually, driven by nominal GDP growth.

Economic activity to remain robust

Albania's economic growth remained strong at 4% in 2024, driven by robust domestic demand, good tourism performance and sustained construction activity. The rise in household consumption was supported by increasing real wages amid slowing inflation, and by accelerating credit growth. Public consumption growth was elevated on the back of the second phase of the public wage reform. Job creation in the services sector supported employment growth. Exports of services expanded, but goods exports fell significantly due to an unfavourable external environment and the appreciation of the lek. Similarly to 2023, most economic sectors recorded positive output growth, but agriculture and industry contracted.

Graph III.28.1: **Albania - Real GDP growth and contributions**



In 2025-2026 GDP growth is forecast to moderate compared to previous years but remain robust at 3.6% and 3.5% respectively. Public consumption growth is projected to slow down as the impact of the public wage reform fades, while private consumption, supported by growing real wages and improvements in the labour market, is set to remain strong over the forecast horizon. Investment growth is underpinned by favourable financing conditions and the implementation of the Reform Agenda under the EU Reform and Growth Facility. On the external side, services exports are expected to continue expanding, but the growth in tourist arrivals is set to soften from the double-digit growth rates seen in previous years. After bottoming out in 2024, goods exports are projected to recover somewhat as the merchandise sector is undergoing structural changes, and the effect of the currency appreciation softens. The current account deficit is set to increase slightly from its historic low registered in 2023, but remains much below its long-term average, pointing to structural improvements brought about by the increase in tourism.

This outlook is subject to downside risks, linked to changes in the exchange rate and interest rates and increasing shortages of skilled labour aggravated by emigration. As a small open economy, Albania is exposed to external risks related to the economic impact of the tariffs on its main trading partners in the EU, such as Italy. Moreover, global uncertainty and geopolitical risks may affect FDI inflows.

Employment gains set to moderate

Employment increased in 2024 and is expected to grow further over 2025-2026, albeit at a more moderate pace. A higher labour force participation rate is expected to be the main driver of labour supply growth while continued emigration is likely to pose a constraint. The unemployment rate is expected to remain stable, while wages continue to increase.

Rapid fall in inflation in 2024 set to be followed by a pick-up

Inflation dropped from 3.4% in January 2024, its highest reading in the year, to 2.1% in December, leading to an annual average inflation rate of 2.2%, down from 4.8% a year before. This decline was primarily driven by lower food and oil prices, alongside the steady appreciation of the lek. Headline inflation excluding food and energy also dropped in 2024. In reaction, the Bank of Albania implemented two reductions in the policy interest rate in 2024, lowering it from 3.25% to 2.75%. Average annual inflation is projected to increase in 2025, supported by higher imported inflation, and to reach the central bank's target of 3% in 2026.

Fiscal deficit is set to widen before narrowing in 2026

In 2024, the general government budget deficit narrowed to 0.7% of GDP, which was lower than the budget target of 2.3%. While revenues performed well, this fiscal outcome was partly the result of public investment under-execution. The budget deficit is set to widen to 2.4% of GDP in 2025 on the back of higher expenditure, in particular capital spending. Revenue growth is expected to be supported by the implementation of the medium-term revenue strategy over 2025-2026, which focuses on enhancing tax and customs administration. A lower expenditure-to-GDP ratio (driven by both current and capital spending) is projected to help decrease the budget deficit to 1.9% of GDP in 2026. The primary balance is projected to remain in surplus, in line with the national fiscal rule. The government debt-to-GDP ratio fell below 55% in 2024, supported by a positive primary balance, nominal GDP growth and the appreciation of the exchange rate. The debt ratio is projected to decline in 2025-2026 at a more moderate pace, driven by nominal GDP growth.

Graph III.28.2: **Albania - General government budget balance and gross debt**

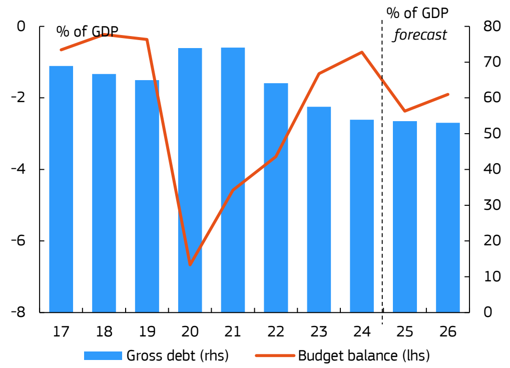


Table III.28.1: **Main features of country forecast - ALBANIA**

	2024				Annual percentage change					
	bn ALL	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		2530.0	100.0	:	9.0	4.8	3.9	**4.0**	**3.6**	**3.5**
Private Consumption		1760.3	69.6	:	4.5	6.0	2.9	**3.5**	**3.1**	**3.0**
Public Consumption		324.4	12.8	:	1.4	2.3	4.9	**3.6**	**2.9**	**2.6**
Gross fixed capital formation		609.8	24.1	:	19.6	1.6	1.0	**4.3**	**5.3**	**5.0**
Exports (goods and services)		913.6	36.1	:	52.1	17.0	9.5	**-0.8**	**3.6**	**3.6**
Imports (goods and services)		1086.9	43.0	:	32.5	11.5	0.2	**6.0**	**5.0**	**3.4**
GNI (GDP deflator)		2509.7	99.2	:	9.3	4.4	4.1	**4.8**	**3.6**	**3.5**
Contribution to GDP growth:	Domestic demand			-3.9	8.5	5.0	2.9	**3.9**	**3.8**	**3.6**
	Inventories			0.4	0.7	-0.4	-2.4	**3.0**	**0.7**	**0.0**
	Net exports			0.2	-0.3	0.2	3.4	**-2.9**	**-0.8**	**-0.2**
Employment				:	0.1	4.0	1.5	**1.4**	**1.3**	**1.0**
Unemployment rate (a)				:	:	:	:	**8.5**	**8.5**	**8.4**
Compensation of employees / head				:	11.2	5.1	13.6	**11.2**	**7.1**	**7.1**
Unit labour costs whole economy				:	2.1	4.3	10.9	**8.5**	**4.7**	**4.6**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	3.4	9.9	6.1	**2.7**	**2.7**	**3.2**
Consumer price index				:	2.0	6.7	4.8	**2.2**	**2.5**	**3.0**
Terms of trade goods				:	1.8	1.6	8.3	**1.9**	**-1.0**	**-0.1**
Trade balance (goods) (c)				-23.9	-25.1	-23.5	-20.7	**-22.2**	**-22.2**	**-22.0**
Current-account balance (c)				-10.0	-7.6	-5.9	-1.3	**-2.4**	**-2.4**	**-2.4**
General government balance (c)				8.5	-4.6	-3.6	-1.3	**-0.7**	**-2.4**	**-1.9**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				63.4	74.1	64.1	57.5	**53.9**	**53.5**	**53.0**

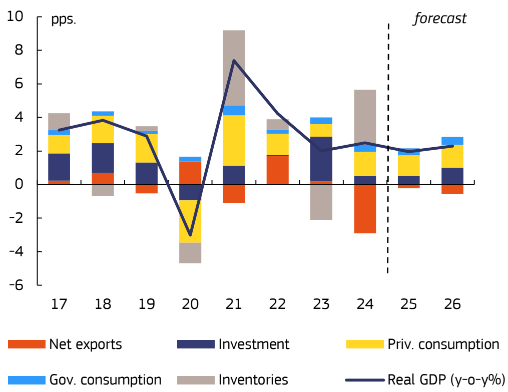
(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

29. BOSNIA AND HERZEGOVINA

Economic activity slightly accelerated in 2024 on the back of strong domestic demand, benefitting from rising real disposable income as a result of high nominal wage growth, declining inflation and solid remittances from abroad. GDP growth is set to remain subdued due to persisting structural and governance weaknesses and the latest trade-related uncertainties. Decelerating import prices are projected to bolster domestic demand. The government deficit is expected to remain contained, while the country's public debt-to-GDP ratio is forecast to remain stable. Risks are largely on the downside.

Economic activity is set to remain resilient over the forecast period

Graph III.29.1: **Bosnia and Herzegovina - Real GDP growth and contributions**



Economic growth picked up to 2.5% in 2024 primarily relying on domestic demand. Private consumption benefited from strong real wage growth, reflecting declining inflation and high nominal wage increases. Gross investment growth remained solid, although a large share of this increase appears to come from inventories and statistical discrepancies. Commodity exports contracted markedly, reflecting weak demand from key export markets, while import growth accelerated, probably in response to increased private consumption and gross investment. In autumn 2024, heavy rainfalls triggered widespread floods and landslides, causing deaths and widespread destruction. However, so far, the economic impact has remained limited. Net financial inflows in the form of transfers remained stable in 2024, at some 10% of GDP. The current account deficit widened due to weaker exports, while net inflows of FDI remained low.

Over the forecast period, domestic demand is expected to remain resilient. Private consumption is likely to remain stable, increasing by about 2% y-o-y, benefiting from recent wage increases, reflecting persistent labour shortages due to labour emigration and upcoming general elections. However, growth of public and private investment is likely to remain moderate in view of political stalemates. External demand is projected to take a hit as a result of increased international trade hurdles, which however is likely to affect the country mainly indirectly, through weaker demand from the country's main trading partners. Overall, GDP growth is expected to decelerate in 2025 (to about 2%), while in 2026, the projected recovery of external demand is likely to result in slightly stronger GDP growth, although still below the country's potential.

The labour market situation is set to remain tight, due to a shrinking labour supply

Registered employment growth slowed down from 1.4% in 2023 to 0.5% in 2024. Trade and tourism continued to be sectors with the largest employment gains, while employment declined in other sectors such as mining and agriculture. There are indications of a continued outflow of qualified labour, which is expected to result in labour shortages in some sectors, such as construction and health. This is set to contribute to further wage pressures above productivity growth. The outflow of labour also helped to reduce the LFS unemployment rate, which dropped from 13.2% in 2023 to 12.6% in 2024 and is likely to continue dropping further during the forecast period.

Inflation is expected to remain contained

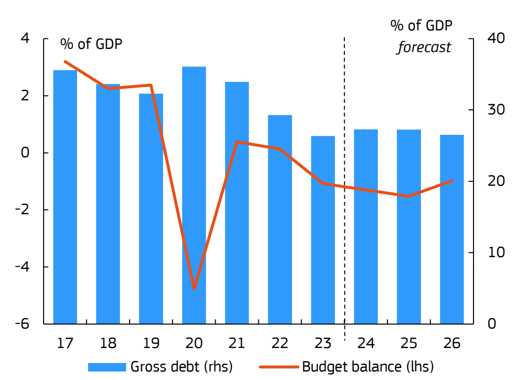
Inflation continued to fall during 2024, reaching 1.7% on average, compared to 6.1% in 2023. This inflation moderation has been broad-based, largely driven by decelerating import price increases.

Nominal wage growth was nearly 10% in 2024 and is projected to remain high, also reflecting labour shortages in certain areas, such as in construction and health services. This is expected to maintain some upward pressure on headline inflation, which is expected to rise to about 3% and 3¼% respectively in 2025 and 2026, as domestic price pressures, resulting from strong recent wage increases and expected electricity price increases, are likely to dominate the inflation reducing effect of lower import prices.

Public finances to face additional spending pressures

The general government expects a deficit of 1.3% of GDP in 2024, despite stronger than expected revenue growth, which however was partly used to finance additional current spending. However, due to a lack of compliance with EU accounting standards, the reliability of public sector data is low. In late 2024 and early 2025, the authorities adopted significant permanent spending increases (e.g. on public sector wages and pensions, as well as minimum wages), which are projected to increase the fiscal deficit in 2025 and beyond. Furthermore, the cost for repairing flood damages is likely to create additional spending pressures, impeding the reduction in the public-debt ratio.

Graph III.29.2: **Bosnia and Herzegovina - General government budget and gross debt**



Risks are largely on the downside

The country's direct exposure to the US export market is rather limited. Besides, indirect trade effects, on the domestic side, a resurge of political tensions could lead to further delays in overdue structural reforms.

Table III.29.1: **Main features of country forecast - BOSNIA AND HERZEGOVINA**

		2024			Annual percentage change					
	bn BAM	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		51.2	100.0	2.3	7.4	4.2	2.0	**2.5**	**2.0**	**2.3**
Private Consumption		35.4	69.0	1.4	4.2	1.9	1.1	**2.1**	**1.8**	**2.0**
Public Consumption		10.0	19.6	1.4	2.9	1.3	2.1	**2.2**	**2.1**	**2.5**
Gross fixed capital formation		12.7	24.7	3.6	5.1	0.3	12.1	**2.2**	**2.0**	**4.0**
Exports (goods and services)		21.9	42.8	5.9	25.4	11.8	-1.2	**-3.1**	**2.4**	**2.8**
Imports (goods and services)		29.3	57.2	2.5	20.6	6.2	-1.3	**2.8**	**2.2**	**3.1**
GNI (GDP deflator)		51.4	100.4	:	6.6	4.2	2.8	**3.5**	**2.0**	**2.3**
Contribution to GDP growth:	Domestic demand			2.3	4.8	1.7	3.9	**2.4**	**:**	**:**
	Inventories			0.0	4.5	0.6	-2.1	**3.3**	**:**	**:**
	Net exports			0.4	-1.1	1.7	0.2	**-2.9**	**-0.2**	**-0.6**
Employment				:	-1.9	1.0	1.0	**1.1**	**0.5**	**0.7**
Unemployment rate (a)				:	17.4	15.4	:	**:**	**11.2**	**10.9**
Compensation of employees / head				:	4.0	13.0	12.2	**8.5**	**8.2**	**5.6**
Unit labour costs whole economy				:	-5.0	9.5	11.1	**7.1**	**6.7**	**3.9**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	5.0	11.8	7.3	**0.1**	**4.0**	**3.9**
Consumer price index				:	2.0	14.0	6.1	**1.7**	**3.0**	**3.3**
Terms of trade goods				:	8.8	-4.7	-0.7	**-1.5**	**-0.1**	**-0.1**
Trade balance (goods) (c)				-29.3	-18.3	-22.3	-20.6	**-22.9**	**-22.4**	**-22.2**
Current-account balance (c)				-7.1	-1.5	-4.4	-2.3	**-3.9**	**-3.5**	**-3.3**
General government balance (c)				-0.3	0.4	0.1	-1.1	**-1.3**	**-1.5**	**-1.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				35.4	33.9	29.3	26.4	**27.3**	**27.3**	**26.5**

(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.

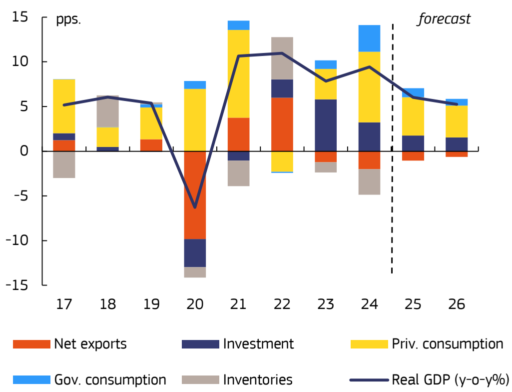
30. GEORGIA

Following another year of very strong growth, Georgia's economic activity is projected to decelerate but to remain robust at 5-6% in 2025 and 2026, partly reflecting positive spillovers from Russia's war of aggression on Ukraine. Growth is expected to continue to be driven by domestic demand, especially by private and government consumption. Inflation is set to pick up temporarily due to the pass-through from wage increases and demand pressures, before returning close to the central bank's target. The current account deficit is projected to widen, driven by the increasing trade deficit. The general government deficit is expected to remain contained, and the public debt-to-GDP ratio is set to continue declining.

Robust economic growth, driven by consumption

Economic growth was very strong in 2024, at 9.4%. Private and government consumption were the most important growth factors, stimulated by strong wage increases, employment growth and fast-growing consumer loans. Investment picked up strongly in the same period, supported by higher business lending, good financial results of enterprises and strong public investment. The contributions of net exports of goods and services and of inventories to growth were negative. On the supply side, the value added increased most in ICT, construction, tourism, transport and other services. Georgia continues to benefit from the reallocation of certain services and trade routes away from Russia following its full-scale war of aggression against Ukraine, reflecting in part a sizeable inward migration from Russia.

Graph III.30.1: **Georgia - Real GDP growth and contributions**



Growth is projected to decelerate in 2025 and 2026 but to remain robust at 5-6%. Private consumption is set to remain the main growth driving factor, supported by strong consumer lending and continued, albeit slower, increases in real wages. Investment is also projected to grow, driven by dynamic business loans and strong public investment, although business confidence has deteriorated markedly in the first quarter of 2025 reflecting the political turmoil in the country. The contribution of net exports to growth is set to remain negative, although lower than in 2024, as the demand for goods imports triggered by strong consumption and investment is expected to be stronger than the positive contribution from growing tourism and other services exports. The forecast is subject to an unusually high degree of uncertainty regarding domestic political developments and how geopolitical tension plays out in the region, which may adversely affect business and consumer sentiments.

Labour market situation improvement, wage increases

Supported by the economic expansion, the unemployment rate decreased sizeably from 16.4% in 2023 to 13.9% in 2024 and is projected to continue falling in 2025 and 2026, although at a slower pace. The employment rate increased by 2.5 pps in 2024, although it remained at a relatively low level of 47.1%. Preliminary data indicate a very strong increase in wages, by 15% in real terms in 2024, which reflects several factors: the wage contagion from high-skilled migrants from Russia, notably to the IT sector, the willingness of Georgian companies to compensate for rising living costs, especially of housing rents in the main cities, labour shortages in some production sectors and the rapid decrease in inflation in 2024. Wage growth is expected to ease in the next years, but to remain higher than productivity growth.

Inflation to pick up temporarily before stabilising around the central bank's target

The average consumer price inflation slowed down to 1.1% in 2024 thanks to low imported inflation and prudent monetary policy of the central bank. Inflation has, however, increased in the first months of 2025 to 3.4% in April and is expected to reach 4% on average in 2025. The acceleration of consumer prices can be attributed to the pass-through from wage increases and from the limited depreciation of the lari, as well as to base effects. As these factors are expected to gradually fade, inflation is set to return towards the central bank's 3% target in 2026.

Narrower current account deficit due to dynamic exports of services

The current account deficit narrowed down to 4.3% of GDP in 2024 from a 5.6% of GDP in 2023. Goods exports increased by 6% in USD terms, thanks to a rebound in demand for metallurgical products and re-exported cars. Imports increased at a similar rate, due to higher domestic demand for investment and consumer goods. A stronger surplus in services and a lower net outflow of investment income have contributed to diminishing of the current account deficit, while lower inflow of remittances had an opposite effect. In 2025 and 2026 the current account deficit is expected to slightly widen. The surplus in services is projected to rise, mainly thanks to the rising inflow of tourists, which does not seem to be affected by the political developments in Georgia, while the trade deficit is set to increase as imports are projected to grow faster than exports.

Limited fiscal deficit, with public debt on a downward path

The general government outturn in 2024 was supported by a strong revenue performance, which was 18% higher than in the same period of 2023. It was boosted by the economic expansion, wage increases stimulating personal income tax revenues, as well as by discretionary measures such as increases in gambling fees and taxes from the banking sector. Current expenditure increased by 20% in the same period, mainly due rising public sector salaries and interest expenditure, while the already high capital expenditure increased by 10%. The general government deficit stood at 2.1% of GDP in 2024, below the 2.5% of GDP deficit stipulated in the budget law. The deficit-to-GDP ratio in 2025 and 2026 is expected to remain at around 2% of GDP, well below 3% of GDP ceiling from the country's fiscal rule. The general government debt amounted to 36.1% of GDP in December 2024 and is expected to further decline over the forecast horizon.

Table III.30.1: **Main features of country forecast - GEORGIA**

		2024			Annual percentage change					
	bn GEL	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		91.9	100.0	:	10.6	11.0	7.8	**9.4**	**6.0**	**5.2**
Private Consumption		65.6	71.3	:	12.3	-2.8	4.7	**11.0**	**6.0**	**5.0**
Public Consumption		12.4	13.4	:	7.1	-0.8	7.5	**24.7**	**7.5**	**5.5**
Gross fixed capital formation		20.3	22.0	:	-4.8	9.9	29.4	**15.0**	**8.0**	**7.0**
Exports (goods and services)		44.4	48.4	:	23.5	37.4	9.5	**5.9**	**6.4**	**5.4**
Imports (goods and services)		51.4	56.0	:	8.8	16.9	10.0	**8.5**	**7.4**	**5.8**
GNI (GDP deflator)		85.9	93.5	:	8.9	10.2	6.8	**10.9**	**6.7**	**5.8**
Contribution to GDP growth:	Domestic demand			4.3	8.8	-0.5	8.8	**12.7**	**7.1**	**5.9**
	Inventories			0.1	-2.9	4.7	-1.1	**-2.9**	**0.0**	**0.0**
	Net exports			-1.2	3.8	6.0	-1.2	**-2.0**	**-1.0**	**-0.6**
Employment				-2.1	-2.0	5.4	4.0	**5.1**	**2.0**	**2.0**
Unemployment rate (a)				20.9	20.6	17.3	16.4	**13.9**	**13.0**	**12.1**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	10.2	8.1	2.9	**3.8**	**4.3**	**3.2**
Consumer price index				5.0	9.6	11.9	2.5	**1.1**	**4.0**	**3.2**
Terms of trade goods				:	-2.5	0.4	-8.3	**5.9**	**1.0**	**0.0**
Trade balance (goods) (c)				-22.8	-20.0	-20.2	-19.8	**-19.1**	**-19.7**	**-20.4**
Current-account balance (c)				-10.0	-10.3	-4.4	-5.6	**-4.4**	**-4.7**	**-5.2**
General government balance (c)				-2.0	-5.9	-2.2	-1.9	**-2.1**	**-2.1**	**-2.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				36.2	49.1	39.2	38.9	**36.1**	**35.4**	**34.6**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

31. MOLDOVA

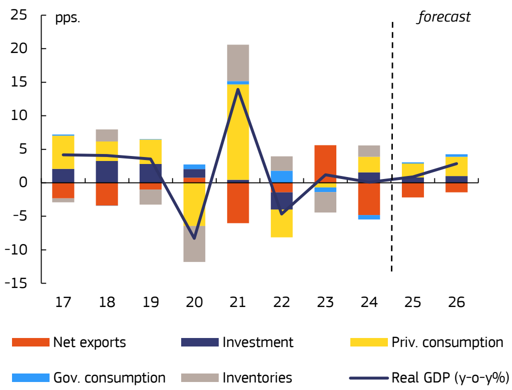
The economic recovery came to a halt in 2024, due to another weak harvest and related drop in demand for transport services. While these factors are set to continue weighing on real GDP growth in the first half of 2025, along with the renewed energy price crisis, growth is projected to gradually regain traction. Private consumption growth is set to remain robust, driven by rising real wages. While tighter monetary policy and increased energy prices are expected to slow investment growth, public investment is forecast to gain momentum in 2026 supported by EU financial assistance from the new Reform and Growth Facility. The general government deficit is projected to widen in 2025 and 2026 on account of the expected growth-enhancing expenditure supported through the Facility's financial resources, while the debt-to-GDP ratio is expected to rise over the forecast horizon.

Slow economic recovery following contraction in the second half of 2024...

The economic recovery, which started in 2023, came to a halt in the second half of 2024, primarily because of a sharp drop in agricultural output following a summer drought. The contraction remained contained thanks to a rebound in private consumption underpinned by rising real wages as well as strong investment growth driven by looser monetary policy and a support programme for real estate investments.

Real GDP growth is set to slowly recover over the forecast period as the drag on growth stemming from the weak harvest in 2024 fades and domestic demand is expected to remain strong. The recovery in employment and higher real incomes, also due to the government compensatory measures shielding consumers from some of the impact of the energy price increase, are projected to continue boosting private consumption in 2025 and 2026. Investment growth is expected to slow in 2025 as higher energy prices weigh on business sentiment, before strengthening in 2026, on the back of strong public investment supported by the Reform and Growth Facility.

Graph III.31.1: **Moldova - Real GDP growth and contributions**



Net exports are expected to continue weighing on growth in 2025 and 2026, although their negative impact is projected to ease. Exports have declined as a result of weaker growth amongst key trading partners, a summer drought affecting agricultural output and falling re-exports to Ukraine in 2024 that are set to reach pre-2022 levels by 2026. Growing services exports, mainly from the expanding ICT sector and tourism, and the expected recovery of agricultural exports are set to support net exports in 2025 and 2026. Imports are projected to continue growing due to sustained strong domestic demand and a sharp increase of electricity imports as a consequence of the cut-off of Russian gas supply to the Transnistrian region. Short-term downside risks remain high, particularly climate-related risks and geopolitical uncertainties.

...as real wages are set to rise further, alongside a recovery of agriculture

Real wages continued to grow in the second half of 2024 largely on account of lower inflation though at a slower pace. Until 2026, they are expected to be boosted by higher public sector salaries and minimum wages as well as continued labour shortages. Pension indexation is also set to support household incomes, while energy compensation payments help offsetting higher energy costs. Both employment and labour force participation fell in the second half of 2024, primarily due to the negative impact of the summer drought on agriculture. However, policies supporting women's participation across sectors cushioned the effect on female employment. Overall employment growth is expected to rebound in 2025 and to remain solid in 2026 as agriculture recovers, and the economic growth strengthens.

Inflation to remain above central bank target before declining at the end of 2025

Following a disinflationary period, inflation averaged 3.9% in the first half of 2024 but rebounded again in the second half of the year on account of higher food prices, partly attributed to the drought in summer 2024 and an increase in energy prices. Continuously rising energy prices pushed up inflation to 8.75% in March 2025. In response to rising inflation, the NBM shifted to monetary tightening beginning of 2025 increasing the base rate up to 6.5% in February 2025. Inflation is projected to remain above the central bank's target range of 5% ±1.5% in 2025 but to decline again towards the end of 2025. However, risks related to price effects from energy import and further food price volatility remain elevated.

Current account deficit to remain large and fiscal deficit to widen

The current account deficit is expected to remain elevated. The trade deficit is set to remain negative on account of the country's weak export base, its reliance on energy imports and a sharp increase in electricity imports following the cut-off of electricity supply from the Transnistrian region. Remittances are projected to remain high though on a steady downward trend despite continued out-migration, primarily because of increasing family reunification abroad. An increase of flows of foreign financing due to recent EU energy support and the Reform and Growth Facility is set to support external financing needs.

The fiscal deficit-to-GDP ratio fell below 4% in 2024, lower than initially projected, primarily due to stronger-than-expected revenues and an under-execution of public investments. In 2025, the deficit is projected to widen to 5% driven by increases in public salaries, and higher current and capital expenditure supported by additional funding from the Reform and Growth Facility. Revenue growth, supported by the gradual economic recovery, is projected to continue, but at a slower pace than expenditure growth as a share of GDP. Public debt is expected to rise to 40.9% of GDP in 2026 mainly due to the higher fiscal deficits linked to the additional financing under the Reform and Growth Facility.

Table III.31.1: **Main features of country forecast - MOLDOVA**

		2024			Annual percentage change					
	bn MDL	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		323.8	100.0	:	13.9	-4.6	1.2	**0.1**	**0.9**	**2.8**
Private Consumption		281.2	86.8	:	17.2	-5.0	-0.8	**2.7**	**2.4**	**3.3**
Public Consumption		57.9	17.9	:	3.0	10.7	-4.0	**-3.6**	**1.0**	**2.0**
Gross fixed capital formation		64.7	20.0	:	1.9	-10.5	0.0	**8.0**	**4.0**	**5.0**
Exports (goods and services)		101.7	31.4	:	17.5	29.7	4.8	**-5.2**	**3.9**	**5.4**
Imports (goods and services)		185.4	57.3	:	21.2	18.2	-5.1	**5.1**	**6.0**	**5.3**
GNI (GDP deflator)		326.6	100.9	:	12.2	-6.4	2.4	**-0.6**	**1.0**	**3.0**
Contribution to GDP growth:	Domestic demand			2.1	13.5	-5.2	-1.4	**3.2**	**3.1**	**4.3**
	Inventories			-0.7	5.4	2.1	-3.0	**1.7**	**0.0**	**0.0**
	Net exports			-0.3	-6.0	-1.4	5.6	**-4.8**	**-2.2**	**-1.4**
Employment				:	1.1	2.2	2.8	**-3.7**	**2.5**	**1.4**
Unemployment rate (a)				:	:	:	:	**4.0**	**3.7**	**3.6**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	6.4	18.9	9.3	**6.6**	**7.8**	**5.9**
Consumer price index				7.0	5.1	28.7	13.4	**4.7**	**7.3**	**4.7**
Terms of trade goods				:	2.6	-3.2	-9.1	**1.7**	**0.0**	**0.0**
Trade balance (goods) (c)				-28.1	-30.6	-35.9	-29.2	**-30.9**	**-32.0**	**-32.0**
Current-account balance (c)				-4.0	-9.7	-16.6	-11.4	**-16.0**	**-15.6**	**-15.4**
General government balance (c)				-2.0	-1.9	-3.2	-5.8	**-3.7**	**-5.0**	**-5.1**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				34.4	33.6	35.0	34.9	**38.2**	**39.8**	**40.9**

(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.

32. MONTENEGRO

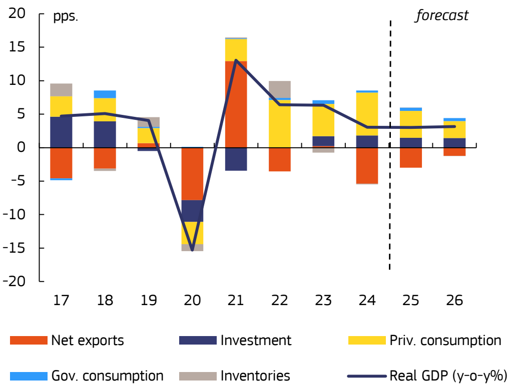
Montenegro's economic growth moderated in 2024 due to weak exports, while private consumption and recovering investment supported economic activity. Recently adopted measures to raise the minimum wage and cut pension contributions are set to support GDP growth in 2025, but also to contribute to higher inflation. The general government deficit in 2024 was broadly in line with the revised target. The implementation of policy measures is set to weaken budget revenue and raise spending, leading to widening budget deficits in 2025-2026 and increasing public debt.

Domestic demand remains key driver of growth

Real GDP growth for 2024 was 3%. Economic growth was driven by rebounding investment (9.3% y-o-y) and strong private consumption (8.7%), which was supported by increases in minimum pensions, wages and employment. Due to the poor performance of electricity exports and a weak tourism season, exports of goods and services contracted by 3.2%, while imports grew by 5.5%, resulting in a negative contribution of net exports to GDP growth. Government consumption expanded moderately.

Economic growth is likely to remain moderate in 2025-2026, at 3% and 3.2% respectively. The full-year implementation of "Europe Now 2.0" programme, which among others cut pension contributions and increased the minimum wage, is set to drive private consumption and investment in 2025. The positive impact on private consumption is projected to fade in 2026, while the growth of investment is set to continue due to the implementation of large road and railway projects. Exports are projected to continue contracting in 2025 due to the planned temporary closure of the Plevja thermal power plant, while the growth of service exports (tourism) is likely to remain muted. A modest recovery of exports is projected in 2026 due to a partial recovery of service exports. Import growth is forecast to increase in 2025-2026 in line with domestic demand and additional electricity imports due to the closure of the power plant.

Graph III.32.1: **Montenegro - Real GDP growth and contributions**



The current account deficit widened in 2024 due to a poor performance of merchandise exports and a weak tourism season, while the surpluses of primary and secondary income balances declined, in line with the subdued growth momentum in the EU and lower remittances. The current account deficit is set to widen in 2025-2026 in line with the weak export performance and the growth in imports on the back of strong domestic demand.

Further decreasing unemployment rates

Employment gains across all sectors continued into 2024 and the unemployment rate declined to a new record low of 11.5% in 2024. Employment growth is expected to accelerate somewhat in 2025 due to reduced pension contributions and the implementation of new investment projects. This effect is likely to weaken in 2026 as increasing wages weigh on the creation of new jobs in the services sector.

Domestic policy measures generate upward price pressures

Inflation declined in 2024 with annual inflation falling to 1% y-o-y in September before recovering to 2.8% in February 2025. The deceleration of headline inflation in 2024 took place on the back of lower prices for food and energy, while inflation excluding energy and food has remained stubbornly high, hovering around 5%. In 2025 consumer prices are projected to hover around the same level, supported by domestic price pressures stemming from higher wages and social transfers while import prices are likely to have a negative impact of inflation. For 2026 inflation is expected to moderate, under the assumption of no policy change.

Risks to the outlook are skewed to the downside. Montenegro's exposure to the US is limited, but a key downside risk is related to the uncertain global environment and the ensuing slowdown in exports. Montenegro's narrow export base and small economy makes it highly vulnerable to fluctuations in international demand.

The budget balance deteriorates

The 2024 budget deficit, at 3.1% of GDP, performed close to the revised target but deteriorated significantly compared to 2023 due to higher social transfers and capital spending and a decrease in one-off revenue. Going forward, the general government deficit is projected to widen to 3.7% of GDP due to lower revenue on the back of halving pension contributions, higher minimum wages and the regular indexation of pensions. Absent strong compensatory measures, public debt is projected to increase to 64.5% of GDP in 2025, due to new debt issuance which is needed to accumulate reserves and prepare for the forthcoming large Eurobond repayment in 2025-2026. Overall, the balance of risks to the fiscal outlook are tilted to the downside due to structural budget changes, which weakened the revenue base and raised mandatory spending.

Graph III.32.2: **Montenegro - General government budget balance and gross debt**

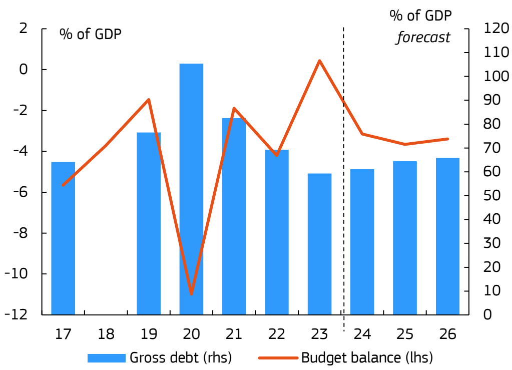


Table III.32.1:

Table 2.1.1:

Main features of country forecast - MONTENEGRO

	2024			Annual percentage change						
	mio EUR Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	7459.2	100.0	2.0	13.0	6.4	6.3	**3.0**	**3.0**	**3.2**
Private Consumption	5689.8	76.3	:	4.0	9.7	6.5	**8.7**	**5.3**	**3.3**
Public Consumption	1332.4	17.9	:	0.5	1.5	3.1	**1.7**	**2.7**	**2.5**
Gross fixed capital formation	1509.6	20.2	:	-12.3	0.1	6.9	**9.3**	**7.2**	**6.8**
Exports (goods and services)	3347.2	44.9	:	81.9	22.7	9.0	**-3.2**	**-0.1**	**3.3**
Imports (goods and services)	5038.7	67.5	:	13.7	21.3	5.9	**5.5**	**4.4**	**4.0**
GNI (GDP deflator)	7480.4	100.3	:	13.6	6.3	5.3	**2.3**	**3.0**	**3.2**
Contribution to GDP growth: Domestic demand			3.8	0.0	7.4	6.8	**8.5**	**6.0**	**4.4**
Inventories			-0.3	0.2	2.6	-0.7	**-0.1**	**0.0**	**0.0**
Net exports			-2.0	12.9	-3.6	0.2	**-5.4**	**-3.0**	**-1.2**
Employment			:	-2.4	17.3	10.5	**2.9**	**3.2**	**2.2**
Unemployment rate (a)			18.1	16.8	15.0	13.4	**11.5**	**11.0**	**10.8**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	:	:	:	**:**	**:**	**:**
Consumer price index			2.4	2.4	13.0	8.6	**3.3**	**3.0**	**2.5**
Terms of trade goods			:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)			-43.6	-38.7	-45.1	-42.9	**-43.9**	**-44.2**	**-43.8**
Current-account balance (c)			-15.9	-9.2	-12.9	-11.2	**-17.0**	**-17.9**	**-17.5**
General government balance (c)			-3.5	-1.9	-4.2	0.4	**-3.1**	**-3.7**	**-3.4**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			53.2	82.5	69.2	59.3	**61.1**	**64.5**	**65.9**

(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.

33. NORTH MACEDONIA

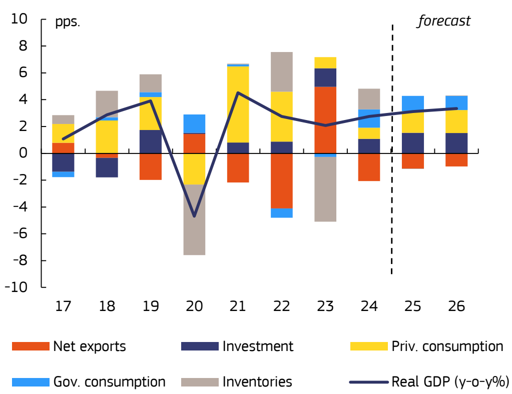
GDP growth accelerated in 2024, driven by investment and public consumption. Headline inflation continued to fall, yet it resurged towards the end of the year mainly due to base effects. Growth is projected to gradually accelerate further, supported by a major public infrastructure project and by household consumption, which benefits from strong wage growth and abating inflation. The fiscal deficit turned out lower in 2024 than the government's revised target, partly as capital expenditure was again under-implemented. Though gradually decreasing over the forecast period, the fiscal deficit is likely to stay above 4% of GDP in 2025, as concrete revenue-enhancing measures are lacking, while current expenditure is bound to rise significantly.

Domestic demand to remain the sole growth driver

Real GDP increased by 2.8% in 2024. Growth was driven by investment and by public consumption, with the latter partly reflecting a strong rise in public sector wages. Though supported by increasing real incomes, household consumption growth remained subdued. Gross capital formation increased by 8.9% in 2024, after declining in the preceding year. The contribution of the external balance to growth turned negative due to slowing exports, largely reflecting the weakness in the German economy, the biggest trading partner of North Macedonia. The current account moved back into deficit in 2024, as the merchandise trade balance worsened and remittances fell.

Looking ahead, domestic demand is likely to remain the sole driver of growth. The implementation of a major public roads project, covering parts of Trans-European Corridors 8 and 10d, is projected to make a strong contribution to domestic demand in 2025 and 2026, given its high domestic input share. Further rising wages and pensions, declining inflation, and easing credit conditions are projected to provide a boost to household spending. Yet, net exports are expected to detract from growth in both years, given a muted economic recovery in major export markets, in particular in the automotive sector, and a rise in imported inputs to feed investment and exports. The negative impact of the external balance on growth would, however, diminish each year based on expectations of gradually strengthening external demand and increasing metal production capacity, a key export product.

Graph III.33.1: **North Macedonia - Real GDP growth and contributions**



Inflation to remain above 2% over the forecast horizon

Well-calibrated monetary policy and abating foreign price pressures supported the decrease of inflation in 2024, to 3.5% on average. Inflation picked up again as of September, yet largely reflecting base effects from the withdrawal of temporary controls on basic food prices. Inflation excluding energy and food remained sticky with second-round effects of high energy and food prices on other sectors receding slowly. The central bank gradually lowered the key policy rate from 6.30% in September 2024 to 5.35% in February 2025. Inflation is projected to remain above 2% in 2025 and 2026, with potential domestic price pressures from wage and credit growth.

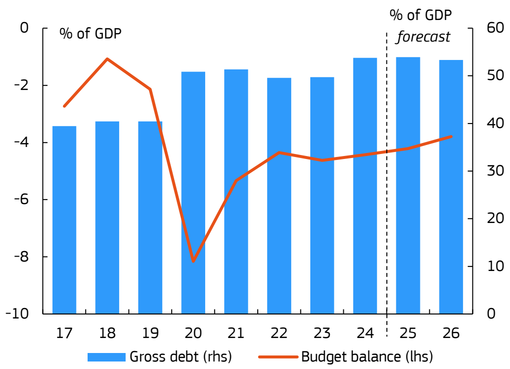
Structural labour market problems continue to impede faster employment growth

While employment growth picked up in the second half of 2024, after an annual drop in the first six months, and the number of unemployed went down (age group 15-64 years), the labour force continued to decline, albeit at a slower pace than in the preceding year. The activity rate increased slightly overall, mainly on account of higher female participation. Average gross nominal wages rose by 12.9% y-o-y on average in 2024, which is slightly less than in 2023, but real wages still grew faster than sluggish productivity. Real wages are likely to increase also in 2025, due mainly to the continuing implementation of the 2023 collective wage agreement for the public sector and a further increase in the minimal wage in March 2025, amidst further declining inflation.

Budget balance to improve, while risks are mounting

At 4.4% of GDP, the general government fiscal deficit remained below its revised target (4.7%) in 2024, helped by under-implementation of capital expenditure. The deficit is set to narrow gradually this year and next, but fiscal consolidation will remain sluggish. No revenue-enhancing measures are foreseen and plans to raise additional revenue from formalising the informal economy and from improving the tax administration remain vague. Yet, mandatory spending is increasing, in particular on public sector wages and pensions. Capital expenditure is projected to rise gradually from 3% of GDP in 2024 to 5.7% in 2026. Financing needs are elevated, with another Eurobond repayment looming in 2026, while debt levels, sovereign borrowing cost and interest expenditure have been rising.

Graph III.33.2: **North Macedonia - General government budget balance and gross debt**



Risks are mainly on the downside

Risks to the growth outlook stem from weaker domestic demand than anticipated. Household consumption might be dampened by sustained inflation and a more muted employment outlook due to high wage growth. Given the lack of substantial progress in improving public investment management, the Road Corridor 8/10d project could face implementation risks. On the other hand, structural reforms, spurred by the EU's Growth Plan, could boost productivity and growth.

Table III.33.1: **Main features of country forecast - NORTH MACEDONIA**

		2024		Annual percentage change						
	bn MKD	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		948.9	100.0	2.7	4.5	2.8	2.1	**2.8**	**3.0**	**3.1**
Private Consumption		644.4	67.9	2.3	8.6	5.5	1.2	**1.2**	**2.1**	**2.2**
Public Consumption		159.3	16.8	2.1	0.9	-4.3	-1.8	**9.1**	**6.6**	**5.1**
Gross fixed capital formation		226.2	23.8	4.4	3.8	3.7	5.7	**4.4**	**6.4**	**5.8**
Exports (goods and services)		594.8	62.7	7.4	14.3	10.6	-0.6	**-3.8**	**2.8**	**3.9**
Imports (goods and services)		719.3	75.8	6.3	14.8	13.6	-5.8	**-0.6**	**3.7**	**4.2**
GNI (GDP deflator)		879.0	92.6	:	4.2	2.5	1.3	**0.3**	**3.0**	**3.4**
Contribution to GDP growth:	Domestic demand			3.1	6.6	3.9	1.9	**3.3**	**4.0**	**3.8**
	Inventories			0.3	0.1	3.0	-4.8	**1.5**	**0.0**	**0.0**
	Net exports			-0.8	-2.2	-4.1	5.0	**-2.1**	**-1.0**	**-0.7**
Employment				:	2.5	-6.2	-0.1	**4.4**	**1.3**	**0.6**
Unemployment rate (a)				:	:	:	:	**13.5**	**12.5**	**12.1**
Compensation of employees / head				:	4.3	18.8	17.9	**8.3**	**6.8**	**5.4**
Unit labour costs whole economy				:	2.2	8.4	15.5	**10.0**	**5.0**	**2.9**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	4.3	8.9	7.8	**2.9**	**6.6**	**6.7**
Consumer price index				:	3.2	14.2	9.4	**3.5**	**2.7**	**2.3**
Terms of trade goods				:	-0.8	-0.7	:	**:**	**:**	**:**
Trade balance (goods) (c)				-21.4	-20.0	-26.3	-18.1	**-20.0**	**-19.9**	**-19.7**
Current-account balance (c)				-3.1	-2.8	-6.1	0.4	**-2.3**	**-2.2**	**-1.9**
General government balance (c)				-2.5	-5.3	-4.4	-4.6	**-4.4**	**-4.3**	**-3.8**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				33.8	51.4	49.6	49.7	**53.8**	**54.2**	**53.9**

(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.

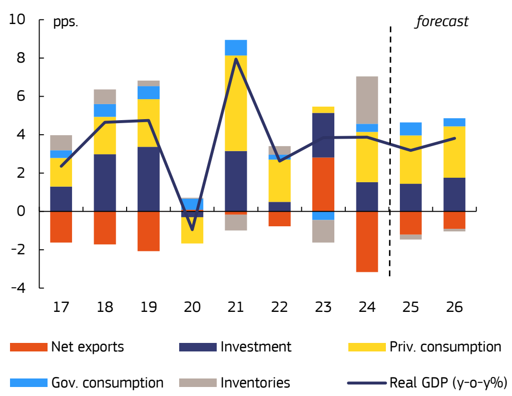
34. SERBIA

The Serbian economy is projected to continue growing at a robust pace, but headwinds are emerging on both the domestic and the international front. Growth is forecast to remain largely driven by domestic demand, on the back of buoyant investment and private consumption amid a strong labour market. In line with the surge in domestic demand, the current account deficit widened sharply in 2024 and is expected to remain elevated. The fiscal stance is set to loosen, with a relaxed deficit target of 3% of GDP, but public debt is still projected to decrease marginally.

Economic activity facing growing challenges

GDP growth remained robust in 2024, at 3.9%. It decelerated somewhat in the second half of the year compared to 2024-H1 (4.5% y-o-y), to 3.3% y-o-y in both Q3 and Q4, and even more sharply, to only 2.0% y-o-y in 2025-Q1 according to flash estimates. The expansion in 2024 was driven by strong investment and private consumption, the latter on the back of rising real disposable income. In line with the strong increase in domestic demand, import growth of 8.3% y-o-y much exceeded the growth in exports (3.2% y-o-y), resulting in a negative contribution of net exports to GDP growth. Both the trade balance and the primary income deficit deteriorated markedly, the latter due to higher outflows of dividend and interest payments, resulting in a sizeable current account deficit of 6.3% of GDP in 2024. With net foreign direct investment (FDI) at 5.6% of GDP, the current account deficit was no longer fully covered by such inflows. The current account deficit is set to remain high in the medium-term, with net FDI inflows now potentially falling short of full coverage.

Graph III.34.1: **Serbia - Real GDP growth and contributions**



Growth is projected to slow down in 2025 to 3.2% and strengthen again in 2026 to 3.8%, driven by domestic demand on the back of ambitious public investment plans, high FDI inflows and rising private consumption. Despite challenging conditions, the services sector continues to show resilience, boosting overall growth notably thanks to strong ICT and other business services. Overall, import growth is projected to continue to outpace exports, although exports have proven resilient amid a weak external environment in 2024, helped by strong FDI inflows into manufacturing and new production capacities in previous years.

Real wage growth to continue at a slower pace

The labour market continued to improve in 2024, with employment growth mounting to 2.0% and unemployment falling to 8.6%, down from 9.4% in 2023. Nominal wage growth stood at 14.4%, notably above inflation, translating into increases in real wages outpacing productivity growth in recent years. Nominal and real wage growth is projected to moderate amid easing inflation but is set to remain elevated as labour shortages in several sectors persist. For the next years, employment is projected to continue to grow slowly but steadily by 0.5 pps. and 0.6 pps. respectively, notably supporting private consumption together with higher real wages, while unemployment is set to gradually decrease.

Inflation still hovering around the upper band of the target range

Consumer price inflation fell to 4.7% y-o-y in 2024, down from 12.4% in 2023, thanks to easing food and energy price pressures. However, after reaching its lowest reading in June 2024, inflation rebounded in the second half of the year and has since hovered around the upper end of the

National Bank of Serbia's (NBS) target range (3%+-1.5pps), surpassing it slightly in January (4.6%) and falling to 4.4% in March. Inflation excluding energy and food also remains elevated, consistently exceeding 5%, thereby largely reflecting higher services inflation. In 2025, inflation is forecast to slow down gradually to 4.0%, starting in the second half of the year, and to approach the target mid-point thereafter, helped by lower imported inflation, the expected deceleration in real wage growth and relatively tight monetary conditions. Since September, the NBS has refrained from any further interest rate cuts, keeping the policy rate at 5.75%.

Relaxed deficit targets to create a slight headwind for disinflation efforts

After the deficit target for 2024 was eased to 2.7% as outlined in the supplementary budget, the general government deficit amounted to 2.0% in 2024. As agreed with the IMF under the new Policy Coordination Instrument (PCI) concluded in late 2024, the deficit target is set to ease to 3.0% in 2025-2027, thereby postponing the application of the deficit component of the fiscal rules. The surge in expenditures is intended to make room for the full implementation of the investment cycle related to the 'Leap to the Future – Serbia 2027' programme in connection with the specialised EXPO 2027, while also providing for further increases in wages and pensions. Public debt is nevertheless projected to decrease marginally, supported by relatively strong economic growth, but the pro-cyclical loosening of the fiscal stance also comes with some downside risks, notably for disinflation efforts. In addition, the ongoing domestic political turmoil may give rise to higher than planned current spending.

Risks to the outlook emerge on several fronts

Demand from main trading partners in the euro area, notably Germany, remains weak and economic sentiment has deteriorated steadily throughout the first four months of the year following months of political unrest and ongoing student-led protests and blockades. Strong FDI inflows, a cornerstone for the expansion of the Serbian economy, could suffer from weaker investor sentiment amid continued political uncertainty, while the implementation of public investments could suffer delays. Global trade tensions and the looming threat of potential US sanctions against Serbia's oil industry (NIS) pose further challenges to the growth outlook.

Table III.34.1: **Main features of country forecast - SERBIA**

	2024			Annual percentage change					
bn RSD	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	9638.5	100.0	2.1	7.9	2.6	3.8	**3.9**	**3.2**	**3.8**
Private Consumption	6047.7	62.7	1.5	7.7	3.5	0.5	**4.2**	**4.0**	**4.2**
Public Consumption	1712.4	17.8	0.9	4.2	1.3	-2.4	**2.5**	**3.8**	**2.5**
Gross fixed capital formation	2277.2	23.6	4.4	14.7	2.2	9.7	**6.5**	**6.1**	**7.3**
Exports (goods and services)	5078.8	52.7	7.0	20.4	17.0	2.7	**3.2**	**3.0**	**4.4**
Imports (goods and services)	5664.4	58.8	4.7	17.7	16.2	-1.6	**8.3**	**4.8**	**5.5**
GNI (GDP deflator)	9015.3	93.5	:	7.1	1.4	3.1	**2.7**	**3.2**	**3.8**
Contribution to GDP growth: Domestic demand			2.2	8.9	3.0	2.2	**4.6**	**4.6**	**4.9**
Inventories			-0.1	-0.8	0.5	-1.2	**2.5**	**-0.3**	**-0.1**
Net exports			-0.4	-0.2	-0.8	2.8	**-3.2**	**-1.2**	**-0.9**
Employment			:	-4.8	2.3	0.8	**2.0**	**0.5**	**0.6**
Unemployment rate (a)			17.2	11.1	9.5	9.4	**8.6**	**8.3**	**8.0**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	5.7	10.5	13.8	**5.2**	**3.7**	**3.6**
Consumer price index			:	4.1	12.0	12.4	**4.7**	**4.0**	**3.5**
Terms of trade goods			:	0.2	-4.1	2.8	**1.2**	**0.3**	**0.2**
Trade balance (goods) (c)			-12.4	-10.2	-14.2	-8.5	**-9.6**	**-10.3**	**-11.0**
Current-account balance (c)			-6.6	-4.1	-6.6	-2.5	**-6.3**	**-6.1**	**-5.9**
General government balance (c)			-2.8	-3.9	-3.0	-2.1	**-2.0**	**-3.0**	**-3.0**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			71.5	54.5	52.9	48.4	**47.5**	**47.5**	**47.4**

(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.

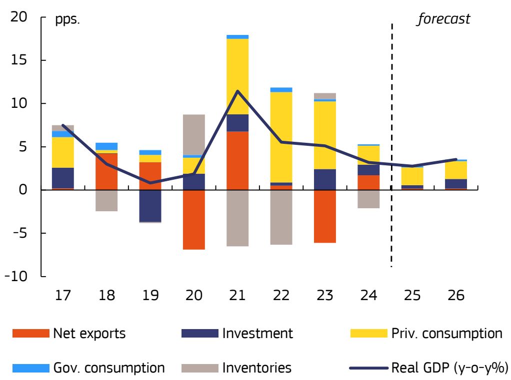
35. TÜRKIYE

Domestic political and financial market turmoil is forecast to lower economic growth and slow down the pace of disinflation. However, disinflation is set to continue, helped by tight monetary and fiscal policy, and lower prices of energy. Export growth is expected to be subdued but the external position to remain stable. The budget deficit is forecast to decline but to overshoot the authorities' target as revenue is expected to underperform, while government indebtedness is set to remain largely unchanged at moderate levels.

Domestic political and financial market turmoil to undercut economic growth

The economy expanded by 3.2% in 2024, broadly in line with expectations. Tight economic policies curtailed domestic demand and rebalanced economic growth towards net exports, largely due to falling imports. Economic activity contracted in industry, in particular in manufacturing, and slowed down in services, but remained robust in agriculture and construction. Growth picked up in the last quarter of 2024, with a rebound in manufacturing PMIs and stronger real sector and consumer confidence. Although consumer confidence improved further in the beginning of 2025, the tight policy stance has kept a lid on domestic demand and overall economic confidence remained weak.

Graph III.35.1: **Türkiye - Real GDP growth and contributions**



Despite actions by the authorities to preserve financial stability, the financial market volatility, triggered by domestic political turmoil, is expected to have negative spillovers on the economy and dampen growth in 2025. However, growth is projected to rebound in 2026. Household consumption is forecast to grow moderately at around 3.5%, supported by further improvements in households' current and expected financial situation. Gross fixed capital formation increased at the end of 2024 but is likely to be more subdued in the near term as earthquake reconstruction works wind down, while relatively high real interest rates constrain private investment. The authorities have announced a tighter fiscal policy to support their disinflation programme, which would be a factor limiting public consumption growth.

Export growth is forecast to remain subdued, suppressed by the real appreciation of the lira and lower external demand, while gains due to trade diversion, triggered by the increased US tariffs, are expected to be limited. Import growth is forecast to slowly close the gap with exports and the contribution of net exports to growth is set to close to zero in 2025-2026. Trade dynamics, coupled with lower international energy prices are forecast to keep the current account deficit low.

Labour market moderating

The labour market remained surprisingly strong despite the moderation of economic activity in 2024. However, job growth is expected to weaken in 2025 and unemployment to increase, before stabilising at a higher level. The high levels of labour underutilisation would, therefore, remain an important characteristic of the labour market, limiting cost pressures.

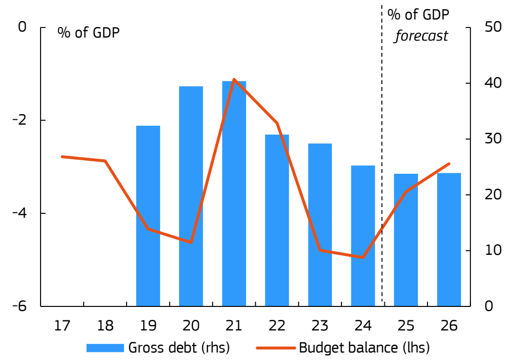
Disinflation to continue but its pace remains uncertain

Tight monetary policy was instrumental in bringing down inflation and inflationary expectations. Annual inflation declined to 38% in March, nearly halved from its peak in May 2024, and services inflation, although persistently elevated, showed some signs of moderation. Inflation is forecast to decline further, helped by tight monetary and fiscal policy, and lower prices of energy. However, a cold spell in the spring damaged some crops, posing a risk for food inflation in 2025. Although on a downward trend, inflation is forecast to remain elevated, in the double-digits in the next two years.

Risks remain persistently high

The Turkish economy has been battling very high geopolitical and domestic risks for several years. The risk environment has worsened in early 2025 but Türkiye is better positioned to face it than in previous years due to a sound policy mix, lower imbalances, and the build-up of buffers. Nevertheless, managing the ongoing economic rebalancing is set to remain challenging.

Graph III.35.2: **Türkiye - General government budget balance and gross debt**



Tighter fiscal stance to support disinflation

At 4.9% of GDP, the 2024 government deficit was in line with the revised target. Earthquake-related expenditure remained significant at 2.3% of GDP, but it was down from 3.6% of GDP in 2023, contributing the most to the lower deficit outturn. The 2025 budget projects a sizeable reduction of the central government budget deficit to 3.1% of GDP, mostly reflecting the winding down of earthquake reconstruction spending and the authorities' determination to support disinflation. As the macroeconomic assumptions underlying the budget seem optimistic, tax revenue is expected to be lower and the budget deficit higher than the budget plan. However, government indebtedness is forecast to remain largely unchanged at moderate levels.

Table III.35.1: **Main features of country forecast – TÜRKIYE**

		2024			Annual percentage change					
	bn TRY	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		43410.5	100.0	4.8	11.4	5.5	5.1	**3.2**	**2.8**	**3.5**
Private Consumption		25804.9	59.4	4.3	15.4	18.9	13.6	**3.7**	**3.5**	**3.5**
Public Consumption		6400.5	14.7	5.2	3.0	4.2	2.4	**1.2**	**1.0**	**1.4**
Gross fixed capital formation		13456.6	31.0	5.6	7.2	1.3	8.4	**3.9**	**1.3**	**3.6**
Exports (goods and services)		12174.5	28.0	4.5	25.1	9.9	-2.8	**0.9**	**1.2**	**3.9**
Imports (goods and services)		12058.0	27.8	3.9	1.7	8.6	11.8	**-4.1**	**0.6**	**3.3**
GNI (GDP deflator)		42966.6	99.0	:	11.4	5.9	4.9	**3.3**	**2.5**	**3.4**
Contribution to GDP growth:	Domestic demand			4.9	11.2	11.3	10.5	**3.6**	**2.6**	**3.4**
	Inventories			-0.1	-6.5	-6.3	0.7	**-2.1**	**0.0**	**0.0**
	Net exports			0.2	6.8	0.5	-6.1	**1.7**	**0.2**	**0.2**
Employment				:	7.5	6.6	2.9	**3.1**	**1.3**	**2.6**
Unemployment rate (a)				10.4	12.0	10.5	9.4	**8.8**	**9.1**	**8.9**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				:	29.0	96.0	68.2	**58.5**	**37.6**	**23.6**
Consumer price index				9.6	19.6	72.3	53.9	**58.5**	**36.2**	**22.7**
Terms of trade goods				:	:	:	:	**:**	**:**	**:**
Trade balance (goods) (c)				-6.4	-3.6	-9.9	-7.7	**-4.3**	**-3.5**	**-3.5**
Current-account balance (c)				-4.0	-0.8	-5.0	-3.6	**-0.8**	**-0.8**	**-1.0**
General government balance (c)				-2.1	-1.1	-2.1	-4.8	**-4.9**	**-3.5**	**-2.9**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				35.9	40.4	30.8	29.2	**25.3**	**23.8**	**23.9**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

36. UKRAINE

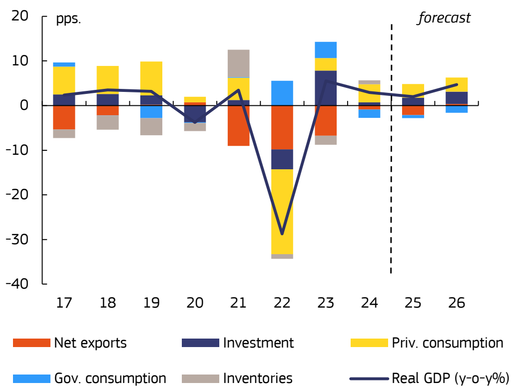
While the economy continued to show resilience to Russia's war of aggression, growth momentum weakened in the second half of 2024 due to intensified attacks on critical infrastructure, which disrupted energy supply and increased production costs. As the war continues to weigh heavily on productive capacity and business sentiment, growth is forecast to slow further to 2.0% in 2025, before rebounding to 4.7% in 2026 as early reconstruction efforts are assumed to take hold. Inflation is projected to rise to 12.6% in 2025, driven by surging energy and labour costs, before easing in 2026 as supply-side pressures abate. Persistent spending needs are expected to keep the public deficit elevated throughout the forecast horizon.

Economic growth weakened in 2024 …

Following robust growth that continued through early 2024, Ukraine's economy began to lose momentum in mid-2024, reflecting the intensification of Russia's attacks on critical infrastructure, a weaker agricultural harvest due to adverse weather conditions, and acute labour shortages, which continued to constrain economic activity. Despite the positive impact of the Black Sea export corridors and strong consumption growth, real GDP growth lost pace through 2024 and turned negative in 2024-Q4 (-0.1% y-o-y), leaving annual real GDP growth at 2.9% in the year.

…and is expected to remain subdued amid ongoing war-related disruptions

Graph III.36.1: **Ukraine - Real GDP growth and contributions**



In 2025, economic activity is forecast to decelerate further to 2.0%, as the war continues to weigh heavily on Ukraine's productive capacity and business sentiment. Exports are set to weaken, reflecting subdued industrial output—particularly in energy-intensive sectors affected by high energy costs—and the closure of the Pokrovsk coal mine, a key supplier to the steel industry. Agricultural exports are also expected to decline due to lower stocks following the poor 2024 harvest caused by adverse weather conditions. At the same time, strong import demand for energy, coal, and materials related to defence and reconstruction is set to keep import levels elevated, resulting in a negative contribution of net exports to GDP growth. Domestic demand is expected to remain resilient, driven by robust investment growth underpinned by sustained defence spending and ongoing emergency repairs and reconstruction, particularly in the energy sector. Private consumption is also projected to remain a key growth driver, although at a slower pace, as elevated inflation continues to erode households' purchasing power.

Looking ahead to 2026, real GDP growth is projected to accelerate to 4.7%, under the technical assumption that conditions for a gradual increase in early reconstruction efforts will be in place from the start of the year. The recovery is expected to be driven by rising reconstruction investment, easing export bottlenecks, and improving economic confidence, which should outweigh the dampening effect of a gradual decline in defence-related spending. The current account is expected to remain firmly negative throughout the forecast horizon, reflecting a large trade deficit and a weakening secondary income balance as international grants are replaced by loans.

The forecast is subject to extremely high uncertainty, with risks tilted to the downside. A deterioration of the security situation could intensify the destruction of critical infrastructure, further disrupt seaborne exports and deepen labour shortages through continued high mobilisation and outward migration. On the upside, a faster improvement in the security situation could pave the way for reconstruction efforts to progress more quickly and at a larger scale.

War-related disruptions in the labour market to keep the unemployment rate high

Large-scale displacement, together with conscription, has significantly reduced the labour force since the start of the invasion, resulting in acute shortages and pushing average nominal wages up by 23% in 2024. Despite the assumed gradual return of some externally displaced persons, labour shortages are expected to remain pronounced due to slow reintegration, the lasting impact of the war on the workforce, and persistent regional and skills mismatches. The unemployment rate is therefore projected to remain elevated, albeit on a gradually declining path.

Inflation set to increase following a marked drop in 2023 and 2024

After declining sharply throughout 2023 and early 2024, inflation began to accelerate again from mid-2024, driven by rising production costs—particularly for electricity and labour—, increasing food prices, and renewed hryvnia depreciation, which raised import costs. While inflationary pressures are expected to remain elevated over the forecast horizon, they are projected to gradually ease as tightened monetary policy helps contain price growth and supply shocks fade. Inflation is therefore forecast to peak at 12.6% in 2025, before moderating to 7.7% in 2026.

Public deficit to remain high amid sizeable war-related expenditure needs

The general government deficit narrowed to an estimated 17.3% of GDP in 2024, supported by the implementation of revenue mobilisation measures, such as the increase in fuel and tobacco taxes, which helped offset an increase in public expenditures. In 2025, additional revenue measures—notably the increase in the military income tax (1.4% of GDP) and the reintroduction of a windfall tax on bank profits (0.8 % of GDP)—are expected to continue supporting budget revenues. However, sustained pressure from high war-related spending, particularly on defence, is set to keep the fiscal deficit elevated at approximately 18.4%. By 2026, stronger economic growth is projected to support further improvements in revenue collection, while a gradual shift in expenditure from military needs toward rehabilitation and reconstruction is expected to contribute to a significant narrowing of the deficit. Public debt is forecast to peak in 2025 and decrease in 2026, underpinned by the projected decrease in the deficit in that year.

Table III.36.1: **Main features of country forecast - UKRAINE**

	2024			Annual percentage change					
	bn UAH Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP	7658.7	100.0	:	3.4	-28.8	5.5	**2.9**	**2.0**	**4.7**
Private Consumption	4776.5	62.4	:	6.8	-27.5	4.3	**6.7**	**4.9**	**5.0**
Public Consumption	2904.3	37.9	:	0.8	31.4	9.2	**-4.5**	**-1.7**	**-4.5**
Gross fixed capital formation	1446.0	18.9	:	9.3	-33.9	65.9	**3.5**	**9.3**	**14.0**
Exports (goods and services)	2252.4	29.4	:	-8.6	-42.0	-5.9	**10.3**	**1.8**	**11.4**
Imports (goods and services)	3702.4	48.3	:	14.2	-17.4	8.9	**7.7**	**5.5**	**6.0**
GNI (GDP deflator)	7694.2	100.5	:	-1.7	-22.7	2.9	**0.7**	**0.9**	**4.6**
Contribution to GDP growth: Domestic demand			2.3	6.4	-17.9	14.3	**2.9**	**4.2**	**4.3**
Inventories			-0.8	6.1	-1.1	-2.0	**0.9**	**0.0**	**0.0**
Net exports			-1.8	-9.1	-9.8	-6.7	**-0.9**	**-2.2**	**0.4**
Employment			:	-1.9	-31.7	-1.6	**2.8**	**3.8**	**6.6**
Unemployment rate (a)			:	:	:	:	**14.8**	**13.1**	**11.6**
Compensation of employees / head			:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy			:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)			:	:	:	:	**:**	**:**	**:**
GDP deflator			:	24.8	34.9	19.9	**12.3**	**12.6**	**10.0**
Consumer price index			12.3	9.4	20.2	12.8	**6.5**	**12.6**	**7.7**
Terms of trade goods			:	25.7	0.4	-2.4	**3.3**	**1.2**	**0.0**
Trade balance (goods) (c)			-7.5	-3.3	-9.0	-16.1	**-15.9**	**-16.2**	**-14.8**
Current-account balance (c)			-2.1	-1.9	4.9	-5.4	**-8.1**	**-13.2**	**-11.5**
General government balance (c)			0.0	-3.6	-15.4	-19.8	**-17.3**	**-18.4**	**-10.6**
Structural budget balance (d)			:	:	:	:	**:**	**:**	**:**
General government gross debt (c)			61.0	49.0	77.8	83.3	**89.4**	**109.8**	**108.9**

(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.

Other non-EU Countries

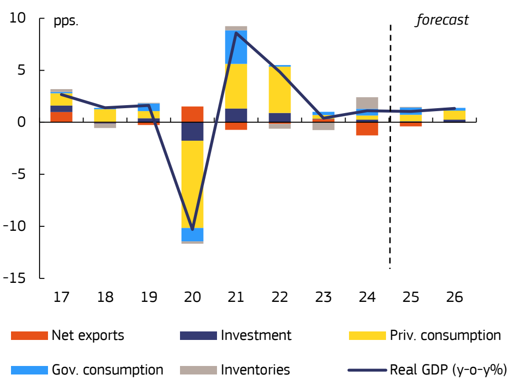
37. THE UNITED KINGDOM

After ending 2024 on a weak footing, the UK economy is forecast to grow modestly in both 2025 and 2026. Private consumption and investment remain subdued, though lower interest rates and energy prices are expected to provide some support ahead. Inflation is projected to tick up slightly in coming months, before gradually subsiding as the labour market loosens further. Fiscal policy is set to remain restrictive. Risks are tilted to the downside. While there is scope for domestic demand to pick-up more rapidly than projected if saving rates fall back from current high levels, uncertainty remains high, sentiment weak, and external risks are exceptionally elevated.

Growth stalled in late 2024, and momentum remains weak

The UK economy grew by 1.1% in 2024 and began 2025 with weak momentum. Private consumption and investment were both subdued in 2024, while public consumption and public investment provided significant support to demand. Growth in exports was also weak, with goods trade volumes (excluding precious metals) falling by close to 5%, though services exports were much more buoyant. Import growth was somewhat stronger for both goods and services. The UK economy grew by just 0.1% in 2024-Q4, and high frequency indicators have worsened in recent months. Services PMIs were above 50 in early 2025 but fell in April to 48.9. Manufacturing PMIs have been below 50 since September 2024 and were at 45.4 in April. Retail sales showed a little more strength, being up over 2% y-o-y in January, but this momentum slowed in February and March. Consumer confidence measures have also slipped back since the start of 2025. The latest monthly GDP growth estimates have been volatile, being flat in January 2025, then rising by 0.5% m-o-m in February, though this relatively strong reading may be weather related.

Graph III.37.1: **The United Kingdom - Real GDP growth and contributions**



Overall, GDP growth is expected to be 1% in 2025, rising to 1.3% 2026. The household savings rate is projected to stabilise in 2025 and edge down in 2026 as interest rates fall. Private consumption is expected to grow by around 1% in 2025 and 1.4% in 2026, with some support from the fall in energy prices, relative to the Autumn Forecast. Despite the tight overall fiscal stance, both public consumption and investment are expected to grow quite strongly in 2025 before moderating in 2026. With uncertainty high and real interest rates still elevated, private investment - including residential and business investment - is projected to remain soft in 2025 and to recover only in 2026. Goods exports are expected to remain weak, with little prospect of a strong recovery given the less supportive external climate, with the new US tariffs, an appreciation of the sterling exchange rate, and slower growth in the EU than projected in the Autumn. However, services trade remains buoyant, and services imports and exports are expected to grow steadily over the forecast horizon.

The labour market has loosened, but the extent of slack remains hard to assess

The UK labour market has loosened in recent months, with vacancies continuing to fall, and the vacancy to unemployment rate now at pre-pandemic levels. The unemployment rate has risen gradually from 4% in mid-2024 to 4.4% in March 2025, with labour force growth a little faster than employment growth. However, the data from the Labour Force Survey remains impaired by a steep decline in response rates. Other metrics (e.g. KPMG/Recruitment and Employers Confederation report on jobs and the Bank's Decision Maker's Panel survey) have also weakened in recent months. Labour market slack is expected to rise in 2025 and nominal wage growth to gradually slow, though from relatively high levels of close to 5%.

Inflation has fallen back significantly, though services inflation is slowing more gradually

Headline CPI inflation fell back from 3% in January to 2.6% in March, still above the Bank of England's 2% target. Inflation excluding energy and food falling from 3.7% to 3.4%. Services inflation also fell back, but at 4.7% in March remains much higher. Higher regulated prices are expected to push up the CPI in coming months, though the recent sharp fall in energy prices for both gas and oil is set to work in the opposite direction, and underlying inflationary pressures appear to be weakening. With the labour market loosening, nominal wage inflation and services inflation are both expected to subside further in coming months, though headline CPI inflation may not return to target levels until well into 2026. The Bank of England cut the main policy rate by 25 bps to 4.5% in February, and markets expect further cuts in the coming months.

Public finances to improve only slowly, as taxes and spending both rise

The government's Spring Statement in March made only modest fiscal adjustments, with some slight increases in total spending and net borrowing. The fiscal stance is still projected to tighten significantly in both 2025 and 2026, reflecting the sizeable tax rises announced in the October 2024 budget. Revenues are expected to rise by close to 1pp of GDP in each of 2025 and 2026. Expenditure is set to remain stable as a share of GDP, in line with spending plans, implying a lower public deficit over the forecast horizon. The general government deficit is nevertheless expected to remain close to 4.5% of GDP in 2026, above the pace of nominal GDP growth, and general government debt is projected to rise modestly over the forecast horizon.

Risks are tilted to the downside

The outlook for consumption is a key risk factor, with scope for lower interest rates to lower precautionary savings and raise consumption more than projected. Private investment is set to pick-up in 2026, but with domestic demand sluggish, and significant uncertainty around the external environment, this projection has downside risks. Finally, there also important risks around inflation and nominal wage growth, and hence the outlook for policy interest rates, given the difficulties in assessing labour market outcomes and the extent of slack.

Table III.37.1: **Main features of country forecast - UNITED KINGDOM**

		2024		Annual percentage change						
bn GBP		Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		2851.0	100.0	0.7	8.6	4.8	0.4	**1.1**	**1.0**	**1.3**
Private Consumption		1770.9	62.1	0.6	7.2	7.4	0.5	**0.6**	**1.0**	**1.4**
Public Consumption		598.5	21.0	0.8	14.3	0.6	1.6	**3.0**	**3.3**	**1.3**
Gross fixed capital formation		496.1	17.4	1.1	7.6	5.1	0.3	**1.5**	**0.6**	**1.5**
Exports (goods and services)		873.5	30.6	2.0	3.2	12.6	-0.4	**-1.2**	**0.4**	**1.5**
Imports (goods and services)		905.8	31.8	1.9	5.8	13.0	-1.2	**2.7**	**1.6**	**1.5**
GNI (GDP deflator)		2825.9	99.1	0.5	11.6	4.8	-1.8	**1.9**	**1.2**	**1.4**
Contribution to GDP growth:	Domestic demand			0.8	8.8	5.5	0.7	**1.3**	**1.4**	**1.4**
	Inventories			0.0	0.4	-0.5	-0.7	**1.1**	**0.1**	**0.0**
	Net exports			0.0	-0.7	-0.2	0.3	**-1.3**	**-0.4**	**0.0**
Employment				0.8	0.0	1.2	1.2	**0.8**	**0.3**	**0.4**
Unemployment rate (a)				5.9	4.5	3.8	4.0	**4.3**	**4.4**	**4.4**
Compensation of employees / head				2.5	4.3	6.3	6.8	**5.1**	**3.7**	**2.2**
Unit labour costs whole economy				2.6	-3.9	2.7	7.7	**4.8**	**3.0**	**1.3**
Saving rate of households (b)				8.6	12.7	6.0	7.3	**10.1**	**10.4**	**10.1**
GDP deflator				2.2	0.1	5.4	6.9	**4.0**	**3.0**	**1.9**
Consumer price index (CPIH) (e)				2.1	2.5	7.9	6.8	**3.3**	**3.6**	**2.6**
Terms of trade goods				0.6	0.1	-2.3	0.8	**3.4**	**1.4**	**-0.2**
Trade balance (goods) (c)				-6.3	-7.1	-8.2	-7.7	**-7.9**	**-8.1**	**-8.1**
Current-account balance (c)				-3.5	-0.4	-2.1	-3.5	**-2.7**	**-2.6**	**-2.6**
General government balance (c)				-5.5	-7.8	-4.6	-6.0	**-6.0**	**-5.3**	**-4.4**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				74.8	105.1	99.6	100.4	**101.3**	**102.6**	**103.8**

(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. (e) CPIH is consumer price index which includes costs of owner-occupied housing

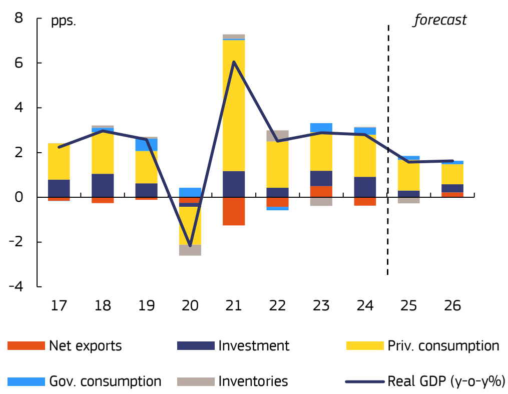
38. THE UNITED STATES

The US economic growth is expected to moderate and expand by 1.6% both in 2025 and 2026, while consumer price inflation is set to take longer to return to the 2% inflation target. The outlook is subject to exceptionally large risks, especially if the trade tensions escalate further. Major sources of additional policy uncertainty are related to the new administration's fiscal and immigration policy and the future Fed policy rate path.

Robust economic growth is expected to moderate

US real GDP expanded strongly by 2.8% in 2024, with economic growth mainly driven by private consumption, together with solid investment and government consumption growth. Employment continued to expand, though at a slowing pace, with the unemployment rate hovering just above 4%. Although private consumption and investment continued to grow at a solid pace in Q1, an apparent shift towards foreign imports in anticipation of tariffs led to a surprise 0.1% q-o-q GDP contraction.

Graph III.38.1: **The United States - Real GDP growth and contributions**



The abrupt protectionist shift in US trade policy and soaring uncertainty have triggered a sharp deterioration in sentiment indicators. The University of Michigan consumer index sentiment plunged from 71.1 in January to 52.2 in April, and similar negative trends are visible in US companies' investment intentions and business outlook expectations. The March small businesses sentiment survey (NFIB) shows that business uncertainty is at around record high levels. Headline PMIs have worsened since December, mainly on a weakening services sector, with the services PMI falling to 51.4 in April from 56.8 in December. The manufacturing PMI slightly improved to 50.7 in April, up from 49.4 in December, consistent with businesses stockpiling in anticipation of tariffs.

The unprecedented increase in the effective tariff rate on US imports and an elevated policy uncertainty are expected to curb private consumption and investment. As disposable income growth falters due to higher inflation, household consumption is forecast to moderate from 2.8% in 2024 to 2% in 2025 and 1.3% in 2026. With economic activity expected to soften, the unemployment rate is forecast to edge up to 4.3% in the current year and to 4.5% in 2026. Facing elevated uncertainty, higher input prices due to tariffs and declining corporate profits, investment activity is projected to weaken. Higher tariffs and a weaker dollar are set to reduce imports growth, while less dynamic global demand and costlier production inputs are expected to weigh on exports. The current account balance is projected to improve moderately, with net trade contributing positively to the economic growth in 2026.

Overall, the US economy is forecast to grow by 1.6% both in 2025 and 2026. This is lower by 0.5pp for 2025 and by 0.6pp for 2026, relative to the Autumn Forecast (noting that the uncertainty is particularly large for the outlook for the US).

Temporary surge of inflation due to tariffs

Headline CPI inflation edged down from 3% in January to 2.4% in March. Nevertheless, inflation is expected to rebound later this year as the higher cost of imported goods and intermediate inputs is passed through to consumer prices. CPI inflation is expected to reach 3% in 2025, moderating to 2.3% in 2026 (up by 1 pps for 2025 and 0.3 pps for 2026 relative to the Autumn Forecast).

The Federal Reserve Board (FRB) started a rate cutting cycle in September 2024, but it has left interest rates unchanged since December 2024, due to uncertainty over the inflation outlook. The

FRB members' projections released in March suggested two rate cuts in 2025 (the same as in their January meeting), but the rate outlook is highly uncertain: a weakening economy, rising unemployment and a risk of an inflation rebound may put the Fed's legally established dual goals of maximizing employment and achieving price stability in tension.

The fiscal deficit is forecast to remain elevated

The general government deficit is expected to remain high over the forecast horizon. The large primary deficit of 2.9% of GDP in 2024 suggests that US fiscal policy remains relatively loose despite continued strong economic growth. The additional revenue from tariffs could (initially) be substantial and help narrowing the fiscal deficit, even as weaker economic activity is set to reduce other revenues. On the expenditure side, interest payments on government debt are forecast to remain high. Accordingly, the general government deficit is projected to decline, but remain elevated over the forecast horizon, edging down from 7.5% of GDP in 2024 to 5.8% of GDP in 2026. The general government debt is projected to keep increasing from 124.1% of GDP in 2024 to 126.2% of GDP in 2026.

Risks are large and mostly tilted to the downside

The future policies of the US administration constitute a major source of uncertainty for the outlook. A de-escalation of trade tensions and the reduction in tariff rates could provide a short-term boost to economic activity, while a further escalation of trade tensions could further dampen the economic outlook. New or stricter immigration restrictions could provoke an emergence of labour supply deficits fuelling wage and price inflation and depressing potential growth. Higher-for-longer policy rate and a further tightening in financial conditions could fuel financial market volatility and further depress consumption and investment. The fiscal outlook is a particular source of uncertainty. If the domestic tax cuts announced by the White House will be enacted, the fiscal deficit could widen again from next year. A more expansionary fiscal policy than currently assumed represents an upside risk to the 2026 economic outlook, though it could exacerbate inflationary pressures and lead to tightening of financial conditions.

Table III.38.1: **Main features of country forecast - UNITED STATES**

		2024			Annual percentage change					
	bn USD	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		29184.9	100.0	1.6	6.1	2.5	2.9	**2.8**	**1.6**	**1.6**
Private Consumption		19825.3	67.9	1.7	8.8	3.0	2.5	**2.8**	**2.0**	**1.3**
Public Consumption		3916.7	13.4	0.9	0.4	-1.1	2.9	**2.5**	**1.3**	**1.2**
Gross fixed capital formation		6294.0	21.6	1.8	5.4	2.0	3.2	**4.3**	**1.4**	**1.7**
Exports (goods and services)		3180.2	10.9	2.8	6.5	7.5	2.8	**3.3**	**1.7**	**1.6**
Imports (goods and services)		4083.3	14.0	2.0	14.7	8.6	-1.2	**5.3**	**1.4**	**-0.3**
GNI (GDP deflator)		29243.1	100.2	1.7	5.7	2.4	2.7	**2.6**	**1.6**	**1.6**
Contribution to GDP growth:		Domestic demand		1.7	7.1	2.3	2.8	**3.1**	**1.8**	**1.4**
		Inventories		0.0	0.2	0.5	-0.4	**0.0**	**-0.2**	**0.0**
		Net exports		0.0	-1.3	-0.4	0.5	**-0.4**	**0.0**	**0.2**
Employment				0.4	3.3	3.7	1.8	**0.8**	**0.7**	**0.5**
Unemployment rate (a)				6.2	5.3	3.6	3.6	**4.0**	**4.3**	**4.5**
Compensation of employees / head				3.0	5.1	2.9	3.6	**4.1**	**4.2**	**3.3**
Unit labour costs whole economy				1.7	2.4	4.1	2.4	**2.1**	**3.3**	**2.2**
Saving rate of households (b)				11.6	16.7	9.5	11.0	**10.3**	**10.0**	**9.6**
GDP deflator				1.9	4.6	7.1	3.6	**2.4**	**2.7**	**2.1**
Consumer price index				2.0	4.7	8.0	4.1	**2.9**	**3.0**	**2.3**
Terms of trade goods				0.0	6.0	3.8	-1.1	**-0.9**	**0.2**	**-0.3**
Trade balance (goods) (c)				-4.7	-4.6	-4.6	-3.9	**-4.1**	**-4.0**	**-3.8**
Current-account balance (c)				-3.1	-3.7	-3.9	-3.3	**-3.7**	**-3.6**	**-3.4**
General government balance (c)				-7.4	-11.8	-3.7	-7.6	**-7.5**	**-6.7**	**-5.8**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				93.9	125.1	120.8	122.7	**124.1**	**125.4**	**126.3**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
(*) Employment data from the BLS household survey.

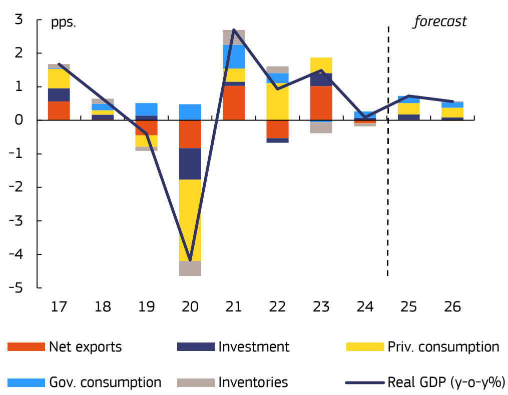
39. JAPAN

After an almost stagnant 2024, economic activity in Japan is expected to pick up to 0.7% in 2025. While domestic demand is projected to be the main driver of growth over the forecast horizon, it is expected to remain relatively subdued due to heightened uncertainty. Growth is projected to stabilise at around 0.6% in 2026. Headline inflation is expected to gradually taper off but remain above the central bank's target of 2% over the forecast horizon. Public finances are projected to remain in deficit, but the general government debt-to-GDP ratio is set to decline slightly below 246% driven by the denominator effect.

Growth is expected to recover modestly after coming to a standstill in 2024

Japan's GDP growth decelerated sharply to 0.1% in 2024 from a 1.5% expansion a year earlier. Real GDP contracted by 0.5% q-o-q in the first quarter of 2024 amid lacklustre household spending and fraudulent vehicle certifications which weighed on exports. Growth picked up in subsequent quarters, averaging 0.6% q-o-q on the back of recovering private demand, reflecting rising wages, record-high tourism supporting services exports, and ongoing fiscal stimulus.

Graph III.39.1: **Japan - Real GDP growth and contributions**



The economy entered 2025 on a solid footing with PMIs continuing their recovery from the end of 2024. However, March figures suggest a turning point as manufacturing PMI slid further into contractionary territory and services PMI halted just above the threshold. In addition, retail sales declined in February compared to the same period last year as consumer confidence continued to deteriorate throughout March. Following moderate growth in the first quarter, the economy is expected to largely stagnate for the rest of the year, held back by political uncertainty domestically and the impact of US trade protectionism.

The projected real GDP growth of 0.7% is thus largely driven by the carry-over from last year. Private consumption growth is expected to recover in 2025, albeit gradually, as persistent inflation continues to weigh on living costs despite support from strong wage growth, energy subsidies and income tax cuts. Private investment growth, especially in green and digital transitions, is projected to remain robust, underpinned by historically high levels of corporate profits and persistent negative real interest rates. Public consumption is also expected to contribute positively to 2025 growth. On the external side, export growth is forecast to pick up moderately as goods exports recover following a fall in 2024 and services exports continue to expand on the back of sustained tourism inflows. Overall, the contribution of net exports to growth is set to be broadly neutral. In 2026, GDP growth is projected to remain relatively subdued as uncertainty continues weighing on households' and companies' decisions and external demand remains weak.

Risks to the outlook are tilted to the downside. US trade policies could have a more cooling impact on spending decisions of companies and on global growth. In addition, persistently high inflation (by Japanese standards) could curb private consumption more than expected. On the positive side, a possible pause in further monetary tightening could ease financing conditions, supporting investment and household spending.

Tight labour market and high inflation push up wages

The labour market tightened at the beginning of the year, with the unemployment rate edging down to 2.4% in February 2025 from 2.5% in January, the first improvement in five quarters. This is largely due to rapid population ageing and only modest increases in immigration, despite recent policy changes aimed at boosting inflows. The unemployment rate is projected to remain broadly stable at 2.5% in both 2025 and 2026, with persistent sectoral labour gaps. The 2025 annual spring wage negotiations resulted in wage increases exceeding 5%, surpassing last year's three-decade record and reflecting persisting cost-of-living pressures. However, overall wage growth is expected to be more moderate given limited union participation and the constrained ability of SMEs to offer significant raises. Still, average compensation per employee is forecast to grow by 2.9% in 2025 before easing to 2.1% in 2026, in line with moderating inflation.

Sticky inflation to gradually decline

Headline inflation eased to 3.7% in February from 4% in the previous month, despite the resumption of government energy subsidies. Growth of fresh food prices declined but remained high at 18.8% (rice prices grew 60% y-o-y). Services inflation appears to be consolidating around 2%. Going forward, inflation is projected to decrease gradually, averaging 2.6% in 2025 and 2.3% in 2026. The increased uncertainty produced by US trade policy and a weakening economic outlook could delay future monetary tightening.

Fiscal deficit remains elevated

The general government deficit reached 2.3% of GDP in 2023 and is forecast to have widened further to 2.5% of GDP in 2024, reflecting increased military spending, cash payouts to low-income households, and the expansion of subsidies to reduce gasoline and utility outlays. The fiscal year 2025 budget raised the tax-free allowance on personal income tax, effectively reducing fiscal revenues. On the expenditure side, the most significant cost pressures are expected to come from social security benefits; an increase in defence spending (up 9.4% year-on-year); additional support to the green transition, AI, and semiconductor industries; renewed energy subsidies; and soaring debt servicing costs. As a result, the deficit is projected to widen to 2¾% of GDP in 2025 and further to 3% of GDP in 2026. The general government debt-to-GDP ratio is expected to remain elevated, though it is projected to decline below 246% by the end of the forecast horizon, driven by rising nominal GDP.

Table III.39.1: **Main features of country forecast - JAPAN**

		2024			Annual percentage change					
	bn JPY	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		609432.7	100.0	0.3	2.7	0.9	1.5	**0.1**	**0.7**	**0.6**
Private Consumption		329800.4	54.1	0.1	0.7	2.1	0.8	**0.0**	**0.6**	**0.5**
Public Consumption		125656.5	20.6	1.3	3.4	1.4	-0.3	**0.9**	**1.0**	**0.8**
Gross fixed capital formation		159389.8	26.2	-0.1	0.5	-0.6	1.5	**0.3**	**0.6**	**0.3**
Exports (goods and services)		138644.9	22.7	2.1	11.9	5.5	3.0	**1.0**	**1.8**	**1.3**
Imports (goods and services)		144586.8	23.7	1.8	5.2	8.3	-1.5	**1.3**	**1.6**	**1.3**
GNI (GDP deflator)		648701.2	106.4	0.4	3.8	2.3	1.3	**0.6**	**0.3**	**0.4**
Contribution to GDP growth:	Domestic demand			0.3	1.2	1.3	0.8	**0.3**	**0.7**	**0.5**
	Inventories			0.0	0.4	0.2	-0.3	**-0.1**	**0.0**	**0.0**
	Net exports			0.1	1.0	-0.5	1.0	**-0.1**	**0.0**	**0.0**
Employment				0.3	-0.1	0.2	0.4	**0.5**	**0.4**	**0.2**
Unemployment rate (a)				3.7	2.8	2.6	2.6	**2.6**	**2.5**	**2.5**
Compensation of employees / head				-0.1	2.0	1.9	1.5	**2.8**	**2.9**	**2.1**
Unit labour costs whole economy				-0.1	-0.8	1.1	0.3	**3.2**	**2.6**	**1.7**
Saving rate of households (b)				10.7	14.6	11.9	8.9	**9.8**	**9.9**	**9.8**
GDP deflator				-0.2	-0.2	0.4	4.1	**2.9**	**2.0**	**1.9**
Consumer price index				0.3	-0.2	2.5	3.3	**2.7**	**2.6**	**2.3**
Terms of trade goods				-1.5	-9.1	-13.3	6.4	**3.7**	**-0.2**	**-0.4**
Trade balance (goods) (c)				0.5	0.3	-2.8	-1.1	**-0.6**	**-0.8**	**-0.9**
Current-account balance (c)				2.9	3.9	2.0	3.8	**4.8**	**4.4**	**4.3**
General government balance (c)				-5.5	-6.1	-4.2	-2.3	**-2.5**	**-2.8**	**-3.0**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				214.6	253.7	256.9	250.1	**247.8**	**246.4**	**245.9**

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

40. CHINA

Following a relatively strong performance in 2024, the Chinese economy is poised for a more challenging period as it navigates unprecedented external headwinds and persistent domestic vulnerabilities. Real GDP growth reached 5% in 2024, driven by resilient domestic demand, supported by government policies, and a strong rebound in exports. However, unresolved weaknesses in the property sector and prohibitively high U.S. tariff measures are expected to weigh on growth prospects. The outlook for 2025 and 2026 points to a more domestically driven expansion, underpinned by fiscal stimulus, proactive investment incentives, and some measures to bolster household consumption. Despite these efforts, growth is projected to slow down markedly to 4.1% in 2025 and 4.0% in 2026, as unfavourable trade prospects and structural headwinds increasingly constrain economic activity.

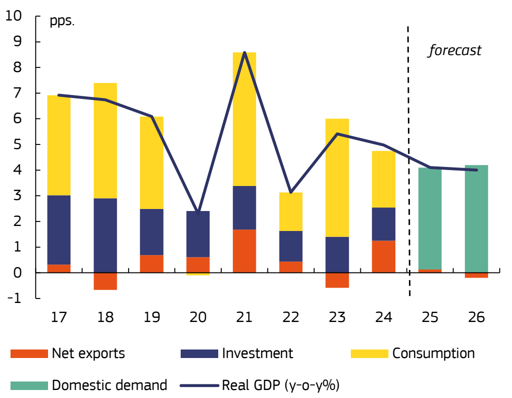
A robust external sector and a more decisive policy stimulus underpin growth

After a notable rebound in 2023, the Chinese economy grew by 5% in 2024, exceeding expectations and meeting the official target of "around 5%". Growth was supported by an unusually high contribution of net exports. Robust export performance, especially in the second half of the year, and more moderate imports boosted the growth contribution of the external sector, reversing the modest drag observed in 2023. In addition, the Autumn's government policy package reinvigorated growth towards the end of the year. Still, domestic demand has remained constrained by relatively subdued consumption and an unresolved property crisis, which led real estate investment to decline by over 10% in the year.

Real GDP growth in the first quarter of 2025 maintained the momentum of the last quarter of 2024, reaching 5.4% y-o-y (1.2% q-o-q). Growth was supported by strong household spending, growing also by 5.4% y-o-y. Investment growth accelerated to 4.2% y-o-y, largely driven by State-Owned Enterprises and with private investment growing only marginally. Exports maintained the strong momentum, as many US importers anticipated the impact of tariffs by advancing purchases, thereby further widening the trade surplus.

Domestic demand takes the lead as external pressures mount

Graph III.40.1: **China - Real GDP growth and contributions**



Growth over the forecast horizon is expected to be driven by domestic demand, supported by a series of proactive policy measures. Further fuelled by the shock that US tariffs are exerting on external demand, Chinese authorities have declared the expansion of domestic demand as its top policy priority for 2025. Consumption is expected to be supported by several household consumption support programs, including the nationwide trade-in scheme that offers subsidies and incentives for replacing old appliances and vehicles with newer, greener models. While the ongoing property sector crisis continues to weigh on residential construction, some signs of stabilization are starting to emerge in transactions and price data, which could be a precursor of renewed buyer confidence. In parallel, the government is accelerating fiscal policy implementation, notably through an expanded issuance of government bonds and increased fiscal spending, which should stimulate infrastructure investment. Meanwhile, large-scale equipment renewal programs continue to encourage firms to upgrade their capital stock, sustaining private sector investment even in the currently challenging external environment.

Net exports are projected to make a negligible contribution to GDP growth in 2025 and are expected to become a mild drag on growth in 2026. With the tariff escalation in the U.S.

increasingly focused on China, exports to the U.S. are expected to sharply decline as early as the second quarter of 2025. Although surrounded by an unusually large degree of uncertainty on how this bilateral trade war may play out and where trade diversion through third countries may partially offset the impact, the loss of direct access to the U.S. market is likely to weigh heavily on Chinese exports, resulting in stagnating goods export volumes over 2025 and 2026. Import growth is also expected to remain subdued, reflecting still-weak domestic demand. As a result, the current account surplus is forecast to narrow to 1.7% of GDP in 2025 and further to 1.2% of GDP in 2026. Against this backdrop, GDP growth is projected to undershoot the government's target of “around 5%” in 2025, reaching 4.1%, before stabilising at 4.0% in 2026.

Policy support to mitigate external headwinds

At the March National People’s Congress, China maintained its 2025 growth target at “around 5%” — an ambitious goal given the rapidly worsening external environment. To support it, the government announced a more expansionary fiscal stance. Local government and “ultra-long” bond quotas were increased sharply, alongside new funding to recapitalise major state banks, pointing to higher fiscal impulse. Monetary policy is set to remain accommodative, but further easing will likely depend on the stability of the renminbi, which is under growing depreciation pressure amid escalating trade tensions with the U.S.

The primary downside risk to China’s growth stems if the more aggressive U.S. trade policy is sustained at this level. The concern goes beyond the immediate impact of higher tariffs on Chinese exports, as it could also undermine business and consumer confidence within China. If such effects materialise, the current level of fiscal support may fall short in cushioning China’s economy or in countering emerging disinflationary trends. Apart from a few top-tier cities, the property sector in China shows only modest signs of recovery, with government interventions having limited impact on boosting sales or reducing inventory. At the same time, weak job creation continues to dampen household income expectations. Looking ahead, structural imbalances are expected to remain a drag on China’s medium-term growth prospects. A heavy debt load, sluggish productivity gains, declining investment returns, and unfavourable demographic trends are all constraining potential growth and highlighting the need to shift away from state-led investment toward a more balanced model driven by private sector activity and domestic consumption.

Table III.40.1: **Main features of country forecast - CHINA**

	2023			Annual percentage change						
	bn CNY	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		129427.2	100.0	8.5	8.6	3.1	5.4	**5.0**	**4.1**	**4.0**
Private consumption		51212.1	39.6	-	-	-	-	**-**	**-**	**-**
Public consumption		22247.4	17.2	-	-	-	-	**-**	**-**	**-**
Gross fixed capital formation		52359.0	40.5	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		24794.6	19.2	8.7	18.5	-0.2	1.8	**11.1**	**1.2**	**0.4**
Imports (goods and services)		22109.9	17.1	7.9	11.1	-3.0	6.3	**3.3**	**0.4**	**1.9**
GNI (GDP deflator)		-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth:	Domestic demand			-	-	-	-	**-**	**-**	**-**
	Inventories			-	-	-	-	**-**	**-**	**-**
	Net exports			-	-	-	-	**-**	**-**	**-**
Employment				-	-	-	-	**-**	**-**	**-**
Unemployment rate (a)				4.3	5.1	5.5	5.1	**5.1**	**-**	**-**
Compensation of employees/head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Saving rate of households				-	-	-	-	**-**	**-**	**-**
GDP deflator				3.5	4.5	1.9	-0.5	**-0.7**	**-0.5**	**0.0**
Consumer price index (c)				2.6	0.9	2.0	0.2	**0.2**	**-**	**-**
Terms of trade goods (b)				-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (b)				4.0	3.1	3.6	3.3	**4.1**	**3.5**	**2.9**
Current-account balance (b)				3.6	1.9	2.4	1.4	**2.3**	**1.7**	**1.2**
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

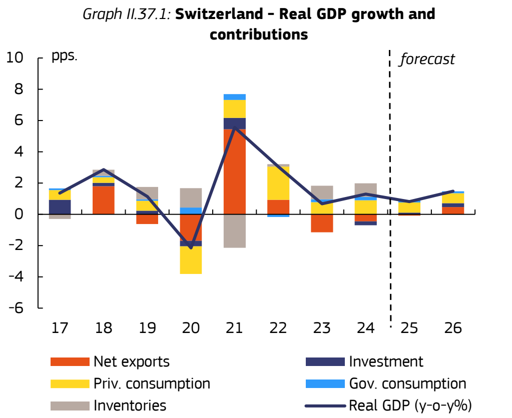
The subdued international demand also affected the EFTA economies in 2024. The outlook for these countries is for moderate economic growth in 2025 and 2026, reflecting further weakened external demand, while domestic demand is likely to remain resilient. Inflation is projected to continue moderating, supporting disposable income and domestic demand. Public finances are expected to remain sound despite a challenging environment.

Switzerland

Output growth accelerated from 0.7% in 2023 to 1.3% in 2024, although, when correcting for accounting effects, actual economic growth in Switzerland remained at around 1%. On the production side the main contributor to growth was the pharmaceutical industry, while the metal and machinery industry registered a weaker performance, in particular in the second half of 2024. On the expenditure side, private consumption remained solid, benefiting from a resilient labour market and declining inflation, which decreased from 2.1% in 2023 to 1.1% in 2024, mainly thanks to lower energy prices and a strong currency. In response to weakening inflation, the Swiss National Bank lowered its policy rate in four steps, from 1.75% to 0.5%. The exchange rate continued to appreciate during 2024 in early 2025 mainly reflecting the CHF's status as a safe-haven currency.

Private consumption is expected to remain the primary driver of growth, fuelled by a robust labour market and rising real wages in the context of moderate inflation. Investment growth is projected to remain subdued in view of the uncertain international environment. Exports are likely to be affected by tariff increases for exports to the US, which account for some 10% of total exports. However, a large share of exports is in less price sensitive sectors, like watches or machinery, which might dampen the negative impact on Swiss exports. Overall, GDP growth might decelerate to slightly below 1% in 2025 and accelerate to about 1½% in 2026. A significant part of this fluctuation is due to accounting effects.

Graph III.41.1: **Switzerland - Real GDP growth and contributions**



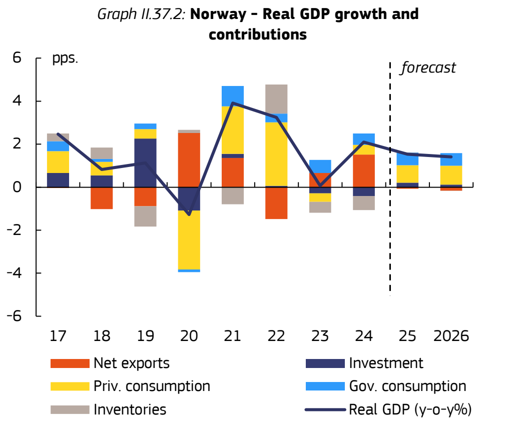
Inflation is expected to remain subdued in 2025 and 2026, reflecting lower international energy prices and the strength of the Swiss currency. Employment growth is forecast to remain subdued during the forecast period. Unemployment rates are projected to continue declining, albeit at a moderate rate, as additional labour demand is likely to be also met by migrant workers from neighbouring countries. The general government accounts were close to balance in 2024, but are expected to deteriorate slightly in 2025 and 2026, reflecting below potential output growth. The debt-to-GDP ratio is set to continue declining, reflecting low fiscal deficits during 2025 and 2026.

Country-specific risks to the outlook stem from the possibility of a continued exchange rate appreciation, due to the currency's 'safe haven' status at times of international turbulences.

Norway

In spite of a weak fourth quarter, the economy rebounded in 2024, with real GDP expanding by 2.1%. Growth was largely driven by private consumption, supported by higher real disposable income, mainly as real wages continued to rise strongly. Public consumption slowed down, and investment dropped, for a second year in a row, largely driven by housing investment. The external sector made a much larger contribution to growth than in 2023, as export growth accelerated markedly, reflecting improving price competitiveness due to currency depreciation. Lower global commodity prices contributed to a further moderation of inflation in the second half of 2024, bringing average annual inflation to 3.1%, still well above the central bank's target of 2%. Against its forward guidance, the Norges Bank's Executive Board, on 26 March, decided to keep the policy rate at 4.5%, a 17-year high, unchanged since December 2023. The Bank cited the uptick in inflation excluding energy and food in the beginning of the year for its decision.

Graph III.41.2: **Norway - Real GDP growth and contributions**



Economic growth is projected to decelerate in 2025, largely due to weaker export growth. Private consumption is expected to continue its recovery on the back of further increases in real wages and robust employment growth. Investment growth is likely to remain moderate. Residential investment is projected to pick up as of the second half of 2025, amidst a recent rise in the sale of new homes and expectations of rising house prices as well as the long-expected onset of a policy rate cutting cycle by the central bank later in the year. Oil-sector investment is bound to lose some traction after two years of strong growth, with fewer new projects in the pipeline. The contribution to growth from net exports is expected to turn slightly negative on the back of weaker external demand, and increased imports feeding the rise in domestic demand. Output growth is forecast to strengthen slightly in 2026, mainly driven by a further pick-up in private consumption growth, on the back of households' increased purchasing power. The recovery in investment is projected to continue, albeit at a more moderate level than in 2025, due to the rebound of housing investment.

The government's fiscal surplus, at 13.2% of GDP in 2024, is projected to diminish over the forecast horizon. The sovereign wealth fund, which bolsters fiscal space, gained some 13% in value in 2024. The 2025 budget implies a moderately expansionary fiscal stance, underpinning economic growth by government spending. The structural non-oil fiscal deficit is expected to increase to 10.9% of mainland GDP, with the overall balance remaining firmly in double-digit surplus, and spending of oil revenues equivalent to 2.5% of the sovereign wealth fund's assets.

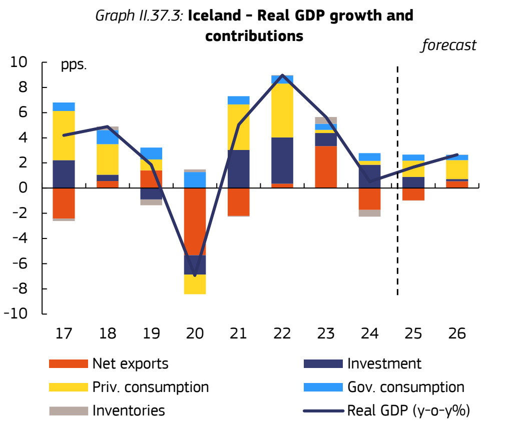
Domestic risks to the outlook are tilted to the downside. Inflationary pressures could intensify if the currency depreciates further, subject mainly to the development of prices for hydrocarbons. This could also dampen household spending. Housing investment may continue to be affected by uncertainty about interest rate developments and by further increasing debt service burden, given the high level of household debt. Regarding the external environment, the uncertainty about US trade policy is likely to weigh on export demand, while the volatility of energy prices presents both upside and downside risks.

Iceland

Real GDP increased by a modest 0.5% in 2024, due to weak growth of private consumption and the contraction of exports. Private consumption lost steam in 2024 as past inflation depressed real disposable income, while rising interest rates fostered savings. Export growth faced headwinds from weak external demand, low fish quotas and a lacklustre tourism season due to volcanic eruptions. Public consumption and investment continued to support GDP growth, with the latter mainly driven by business investment in data centres and housing. Inflation tapered off in the course of 2024, reaching 3.8% in March 2025. The central bank undertook several cuts of the key interest rate from 9.25% at the beginning of 2024 to 7.75% in March 2025.

The outlook is for a gradual pick-up of growth to 1.7% in 2025 and 2.7% 2026, mostly supported by domestic demand. Monetary easing is likely to continue gradually in 2025 and give some impetus to private consumption and investment. Furthermore, private consumption is set to benefit from continued population growth and a partial use of accumulated savings. The expansion of innovation-based sectors, such as pharmaceuticals, biotechnologies, and data centres, are projected to support investment growth. The uncertain external environment is projected to weigh on exports in 2025, which would be supported by innovation-based sectors and modest growth of tourism. Imports are set to increase with high investment needs in 2025 but grow more moderately afterwards. The impact of the US import tariffs on Iceland's exports is highly uncertain. Exports to the US, mainly seafood and medical products, which are currently exempted from import duties, accounted for some 12% of goods exports in 2024. Aluminium is exported mainly to Europe and is therefore not directly affected by import tariffs. The major uncertainty relates to the impact on tourism, as around one fourth of tourists visiting Iceland in 2024 were from the US.

Graph III.41.3: **Iceland - Real GDP growth and contributions**



Due to lacklustre GDP growth in 2024 the unemployment rate remained broadly unchanged, but is projected to increase slightly in the next two years. Following the post-pandemic upswing, slower employment growth is forecast in 2025-2026, in line with historical trends and the projected GDP profile. Inflation is projected to moderate due to modest consumption growth, low labour cost growth in line with wage agreements, and rising housing supply, constraining housing costs.

The 2024 budget deficit is estimated at 3.5% of GDP which exceeds the revised target of 1.8% due to the additional public spending related to the volcanic eruptions. The 2025 budget targets a deficit of 1.3% of GDP, reflecting some consolidation efforts, while the reinstating of numerical fiscal rules remains postponed until 2026. A tight fiscal stance is expected for 2025-2026, with the aim of reducing public debt and supporting disinflation.

Risks to the outlook are negative, stemming from the effect of still high interest rates on domestic demand, and the impact of the uncertain global environment on exports.

Table III.41.1: **Main features of country forecast – EFTA**

		Iceland				Norway				Switzerland			
(Annual percentage change)		**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**
GDP		5.6	0.5	1.7	2.7	0.1	2.1	1.5	1.4	0.7	1.3	0.8	1.5
Private Consumption		0.5	0.6	2.6	3.0	-1.2	1.2	2.1	2.3	1.5	1.8	1.3	1.2
Public Consumption		1.8	2.5	1.9	1.7	3.4	2.4	2.6	2.5	1.7	1.9	1.2	1.1
Gross fixed capital formation		4.3	7.5	3.3	0.6	-1.5	-1.9	1.0	0.5	0.1	-1.0	0.5	1.0
Exports (good and services)		6.3	-1.2	2.0	2.8	0.4	5.7	1.2	1.4	0.7	-0.3	1.9	2.5
Imports (goods and services)		-1.0	2.7	4.2	1.4	-1.5	3.7	2.0	2.5	2.7	0.4	2.3	2.2
GNI (GDP deflator)		7.8	0.4	1.7	2.7	2.6	3.3	0.7	0.9	0.3	2.3	0.8	1.5
Contribution to GDP growth:	Domestic demand	1.8	2.8	2.7	2.1	-0.1	0.6	1.6	1.6	1.0	0.9	0.9	1.0
	Inventories	0.5	-0.5	0.0	0.0	-0.5	-0.7	0.0	0.0	0.9	0.9	0.0	0.0
	Net exports	3.3	-1.7	-1.0	0.5	0.7	1.5	-0.1	-0.2	-1.1	-0.4	-0.1	0.5
Employment		4.3	2.2	1.1	1.4	1.3	0.6	0.8	0.6	2.2	0.7	0.5	1.0
Unemployment rate (a)		3.5	3.6	4.1	4.0	3.6	4.0	4.0	3.8	4.0	4.3	4.9	4.7
Compensation of employees / head		7.7	4.8	0.9	0.3	6.4	4.8	4.1	4.1	1.2	2.3	1.1	1.6
Unit labour cost whole economy		6.2	6.6	0.4	-1.0	7.7	3.3	3.3	3.2	2.8	1.7	0.9	1.2
Saving rate of households (b)		:	:	:	:	:	:	:	:	:	:	:	:
GDP deflator		5.8	5.9	3.7	2.8	-11.1	-0.2	2.7	3.1	0.9	1.3	0.4	0.9
National index of consumer prices		8.7	5.9	3.7	2.7	5.5	3.1	2.5	2.3	2.1	1.1	0.8	1.2
Terms of trade goods		-11.6	0.1	0.1	-0.1	-33.0	-7.5	0.0	0.0	-1.6	-0.6	0.0	0.0
Trade balance (goods) (c)		-6.6	-6.8	-7.6	-7.5	16.2	14.6	14.1	13.6	14.0	13.5	13.1	13.0
Current account balance (c)		1.0	-3.2	-3.9	-4.3	16.6	17.1	15.0	13.9	5.7	5.1	4.8	5.1
General government balance (c)		-2.0	-3.5	-1.2	-1.0	16.5	13.2	12.0	11.6	0.2	0.1	-0.5	-0.2
General government gross debt (c)		63.9	66.3	65.1	63.8	44.5	55.1	49.7	43.9	26.0	25.0	25.2	25.0

(a) as % of total labour force. (b) gross saving divided by adjustd gross disposable income. (c)as a % of GDP.

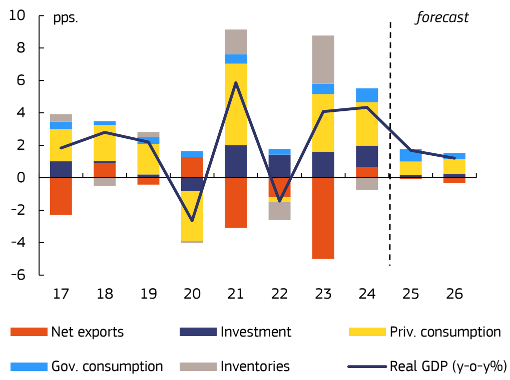
42. RUSSIAN FEDERATION

After two years of unexpectedly strong growth, the Russian economy is forecast to cool off considerably in 2025 and 2026. Despite historically high interest rates, inflation continued increasing in recent months but is expected to decelerate going forward. Further war-related spending paired with depressed oil and gas receipts, as well as declining tax receipts due to the projected economic deceleration, are expected to widen the budget deficit over the forecast horizon. Accordingly, Russian public debt is also forecast to increase until 2026.

Economic cooling after two years of strong growth

The Russian economy continued expanding at a faster-than-expected pace in 2024, against the background of strong investment and robust private consumption. The war-driven expansion carried on but has been dented by Western sanctions, which have partially disrupted key sectors such as energy, finance, and technology, contributing to higher inflation, supply chain bottlenecks, and growing pressure on the government budget. In early 2025, clear signs of a slowdown have been emerging. Real wage growth, which supported household expenditure, slowed to 3.2% in February, its lowest value in almost two years. High inflation and the protracted high-interest rate environment, with which the Central Bank has been trying to curb price growth, also hamper private consumption. Private investment in civilian sectors without access to government-subsidised loans is similarly aching under the impact of the needed tight monetary policy stance.

Graph III.42.1: **Russia - Real GDP growth and contributions**



High-frequency indicators are pointing towards a cooling of economic activity. Industrial production y-o-y growth and business confidence slumped in the first months of 2025 to values last seen in early 2023. In March, the Manufacturing PMI fell to 48.2 points into contractionary territory and its lowest value since April 2022. On the household side, retail sales growth dropped to 2.2% y-o-y in February and March, its lowest value since March 2023. Consumer confidence fell for its third consecutive quarter in Q1 2025.

Over the forecast horizon private consumption and investment growth are projected to ease substantially, with a slight uptick in 2026 as the inflation and interest rate environment becomes more benign for both investors and consumers. Public investment and subsidised private investment in war-related sectors are expected to buoy aggregate investment and prevent it from contracting, despite the high interest rates. Government consumption growth is set to decrease over the forecast horizon but outperform other GDP components as it is carried by war-related spending. In the external sector, the deteriorating global economic and foreign trade environment is expected to depress export and import growth.

Overall, GDP growth is projected to decelerate from 4.3% in 2024 to 1.7% in 2025 and further to 1.2% in 2026.

Persistently high inflation despite record interest rates

Despite a record high policy benchmark interest rate of 21% in place since October 2024, inflation has been increasing over the past six months. Price pressures are fuelled by fiscal spending, preferential lending schemes impeding the monetary transmission and a tight labour market driving real wages up. In the first three months of 2025, annual inflation stood around 10%, showing only weak signs of cooling. Over the course of 2025, inflation is forecast to gradually decelerate, averaging 9.5% for the year as a whole, as the tight monetary policy precludes lending in the civilian sector without access to preferential loans and reduces private demand. Real wage growth is expected to continue declining throughout the year. These trends are projected to continue in 2026, pushing annual inflation down to 5.8%.

Dampened government revenues cause deficits to widen

The federal budget recorded a considerable deficit in the first quarter of 2025, standing at RUB 2.2 tn (1.1% of GDP). A sharp fall in oil prices in the wake of the US tariff announcement is set to exert substantial pressure on the budget, adding to the impact of the Western sanctions regime on the oil sector. Moreover, the projected deceleration in economic activity for 2025 is forecast to dent government revenues, counteracting tax hikes that took effect this year (an increase in the corporate income tax from 20% to 25% as well as the introduction of more progression steps and an upward shift of the personal income tax). Government expenditure is forecast to increase further as the 2025 budget plan includes a 25% jump in war-related spending. These developments are projected to push the Russian budget deficit to 2% of GDP in 2025 compared to 1.7% of GDP recorded in 2024. In 2026, the deficit is expected to widen further to 2.7% of GDP. Meanwhile, the Russian debt-to-GDP ratio is projected to slowly increase from 20.3% in 2024 to 20.8% in 2025 and 22.9% in 2026.

Risks for Russian growth prospects are manifold and tilted to the downside

Economic prospects for Russia exhibit an increasingly high level of uncertainty, with risks overall tilted to the downside. An expansion of the sanctions regime and further deceleration of global growth, with an associated deeper drop in oil prices, represent external downside risks to Russian growth. Domestically, stickier-than-expected inflation would require tight monetary policy for longer, which would additionally weigh on growth. An end to the war in Ukraine paired with sanctions relief as well as subsiding global trade tensions could, on the other hand, bolster growth prospects.

Table III.42.1: **Main features of country forecast - RUSSIA**

		2024			Annual percentage change					
	bn RUB	Curr. prices	% GDP	05-20	2021	2022	2023	2024	2025	2026
GDP		201152.1	100.0	2.3	5.9	-1.4	4.1	**4.3**	**1.7**	**1.2**
Private Consumption		99307.6	49.4	3.8	9.8	-0.6	7.4	**5.4**	**1.7**	**1.9**
Public Consumption		37320.5	18.6	0.9	2.9	2.0	3.8	**4.8**	**4.1**	**2.0**
Gross fixed capital formation		44520.8	22.1	3.3	9.3	7.4	7.8	**6.0**	**0.7**	**1.0**
Exports (goods and services)		44085.7	21.9	2.7	3.2	-13.8	-11.0	**3.0**	**0.5**	**0.0**
Imports (goods and services)		35385.8	17.6	3.7	19.1	-14.3	13.0	**0.0**	**1.0**	**2.0**
GNI (GDP deflator)		198514.3	98.7	2.3	5.9	-1.1	4.9	**4.3**	**1.7**	**1.2**
Contribution to GDP growth:	Domestic demand			2.9	7.5	1.5	6.2	**5.0**	**1.8**	**1.5**
	Inventories			-0.1	1.5	-1.1	3.0	**-0.8**	**0.0**	**0.0**
	Net exports			-0.2	-3.1	-1.2	-5.0	**0.7**	**-0.1**	**-0.3**
Employment				0.3	1.3	0.4	-0.1	**0.5**	**0.1**	**0.1**
Unemployment rate (a)				6.1	4.8	3.9	3.2	**2.5**	**2.7**	**3.2**
Compensation of employees / head				:	:	:	:	**:**	**:**	**:**
Unit labour costs whole economy				:	:	:	:	**:**	**:**	**:**
Saving rate of households (b)				:	:	:	:	**:**	**:**	**:**
GDP deflator				9.2	18.2	18.2	8.0	**9.3**	**8.7**	**5.3**
Consumer price index				8.0	6.7	13.7	5.9	**8.4**	**9.5**	**5.8**
Terms of trade goods				:	36.6	29.5	-16.6	**-0.1**	**-4.4**	**-1.5**
Trade balance (goods) (c)				9.6	10.5	13.6	5.9	**6.1**	**4.8**	**4.1**
Current-account balance (c)				4.6	6.8	10.4	2.4	**2.9**	**1.6**	**0.9**
General government balance (c)				1.4	0.8	-1.6	-2.5	**-1.7**	**-2.0**	**-2.7**
Structural budget balance (d)				:	:	:	:	**:**	**:**	**:**
General government gross debt (c)				12.5	16.5	18.5	19.5	**20.3**	**20.8**	**22.9**

(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.

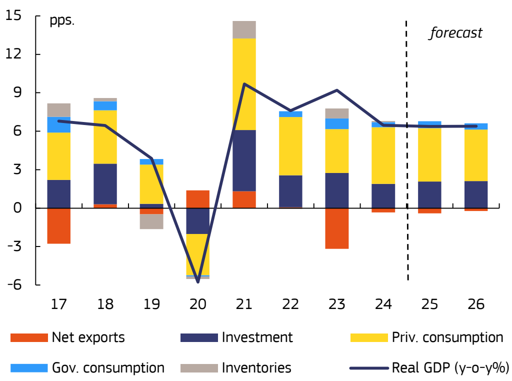
43. INDIA

India's economy continues to expand at a robust pace of around 6.5%, the highest among the larger emerging market economies. Fiscal policy remains broadly growth-supportive through targeted capital spending, while gradual fiscal consolidation continues. Monetary policy has begun to cautiously ease amid moderating inflation and stable credit conditions. However, growth is expected to remain below pre-pandemic levels, constrained by still high real interest rates and subdued external demand amid persistent global uncertainty. Escalating trade tensions pose a significant downside risk but could also offer opportunities over the medium term. Domestic vulnerabilities remain linked to weather-related shocks and commodity price volatility.

Strong domestic fundamentals sustain robust growth

India's economy continues to expand at a strong pace. Real GDP is estimated to have grown by 6.5% in fiscal year (FY)2024-25, driven by resilient domestic demand and solid macroeconomic fundamentals. Although slightly below pre-pandemic trends, this performance confirms India's status as the fastest-growing major economy, benefitting from a large and youthful labour force, a growing domestic market, competitive wage costs, and a stable democratic framework. Growth is projected to remain robust at 6.4% in both FY2025-26 and FY2026-27, driven by strong consumption and investment, amid easing inflation and policy support.

Graph III.43.1: **India - Real GDP growth and contributions**



Domestic demand remains the key growth engine. In FY2024-25, household spending was buoyed by income growth in both rural and urban areas. A favourable monsoon boosted agricultural output and rural incomes, while tax relief and improving labour market conditions supported urban demand. Public spending also picked up following the 2024 general elections. Although elevated interest rates continue to dampen purchases of durable goods and housing, private consumption growth is expected to remain solid, backed by rising real incomes. Investment growth is expected to pick, led by government infrastructure projects. Private investment is set to benefit from strong corporate balance sheets, low non-performing loan levels, and ongoing production-linked incentive schemes. Nevertheless, high real interest rates and subdued global demand continue to weigh on private capex and business confidence. Net exports are expected to weigh on growth over the forecast period as imports outpace exports in line with strong domestic demand.

Inflation has moderated and entered the Reserve Bank of India's target range of 4%. Headline consumer price inflation eased to 4.9% in 2024, down from 5.7% the year before. The decline reflected lower food and fuel prices, strong harvests, and easing supply bottlenecks. Inflation excluding energy and food, though still elevated, is gradually declining. Consumer price inflation is projected to average 4.3% 2025 and 4.4% in 2026, close to the central bank's 4% target midpoint. Inflation expectations are well-anchored, and reduced food price volatility has helped contain upside risks. Absent major oil price shocks and assuming normal monsoon patterns, price pressures are expected to remain manageable.

Policy support balances growth and stability

Fiscal consolidation is progressing steadily. The general government deficit is estimated at 7.5% of GDP in FY2024-25, narrowing to around 7% in FY2025-26 and FY2026-27. Strong revenue growth, driven by improved compliance and digitalisation, along with lower subsidy spending due to falling commodity prices, is contributing to fiscal improvement. Public debt is projected to come down to around 80% of GDP over the forecast horizon, from 81.5% in FY24-25. The government has reiterated its medium-term goal of reducing central government debt to 50% of GDP by 2030. In the near term, fiscal policy remains supportive of growth through targeted capital spending.

Monetary policy has begun to ease. In its first reduction since the pandemic, the central bank cut its policy repo rate by 25 basis points in February and April 2025, to 6.0%. Liquidity conditions are comfortable, and private sector credit growth remains healthy. The monetary stance is expected to remain mildly accommodative to support the recovery while maintaining price stability.

External stability holds, but global risks loom

External imbalances remain manageable. Despite strong domestic demand, the current account deficit (CAD) held steady at about 0.8% of GDP in FY2024-25. Robust services exports — particularly in IT and business services— have offset a wider trade deficit, partly driven by higher gold and capital goods imports. The current account deficit is expected to remain around 1% of GDP, supported by strengthening export performance and moderating nominal import growth. Foreign exchange reserves remain ample, covering over eight months of imports, and external debt is moderate. The rupee has depreciated gradually, with the central bank intervening only to smooth excessive volatility.

Risks to the outlook are tilted to the downside. The recent escalation in US tariffs poses a significant risk to India's exports in the short term. However, India's comparative advantages position it well to attract investment and expand exports amid shifting global supply chains driven by the US-China trade war. Domestically, an uneven recovery in consumption or investment could soften momentum. Climate-related risks, such as a weak monsoon, could weigh on rural incomes and drive food inflation. Higher global oil prices could strain the external and fiscal accounts. On the upside, faster progress in structural reforms, a more favourable investment climate, and accelerated supply chain diversification could lift India's medium-term growth potential.

Table III.43.1: **Main features of country forecast - INDIA**

	2023			Annual percentage change						
bn INR	Curr. prices	% GDP		12-20	2021	2022	2023	2024	2025	2026
GDP	301229.6	100.0		5.2	9.7	7.6	9.2	**6.5**	**6.4**	**6.4**
Private consumption	181304.3	60.2		5.4	11.7	7.5	5.6	**7.3**	**6.8**	**6.5**
Public consumption	31043.0	10.3		4.9	0.0	4.3	8.1	**3.8**	**5.2**	**5.0**
Gross fixed capital formation	91652.2	30.4		4.1	17.5	8.4	8.8	**6.2**	**7.0**	**7.2**
Exports (goods and services)	64609.8	21.4		2.4	29.6	10.3	2.2	**4.9**	**5.4**	**6.0**
Imports (goods and services)	70921.9	23.5		1.1	22.1	8.9	13.8	**5.9**	**6.6**	**6.4**
GNI (GDP deflator)	297107.9	98.6		9.6	9.9	7.4	9.2	**6.5**	**6.4**	**6.4**
Contribution to GDP growth:	Domestic demand			4.9	11.9	7.5	7.0	**6.7**	**6.8**	**6.6**
	Inventories			0.0	-3.5	0.0	5.4	**0.1**	**0.0**	**0.0**
	Net exports			0.3	1.3	0.1	-3.2	**-0.3**	**-0.4**	**-0.2**
Employment				0.8	2.0	2.6	0.8	**1.8**	**1.8**	**1.9**
Unemployment rate (a)				-	6.5	5.9	4.9	**5.1**	**5.1**	**5.1**
Compensation of employees/head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Saving rate of households				-	-	-	-	**-**	**-**	**-**
GDP deflator				4.2	8.4	5.9	2.6	**3.1**	**4.0**	**4.1**
Consumer price index (c)				5.9	5.1	6.7	5.7	**4.9**	**4.3**	**4.4**
Terms of trade goods (b)				1.0	-14.3	-3.9	17.0	**-0.7**	**1.9**	**1.9**
Trade balance (goods) (b)				-3.6	-6.0	-7.9	-6.6	**-6.9**	**-6.7**	**-6.3**
Current-account balance (b)				-1.2	-1.3	-1.9	-0.6	**-0.8**	**-0.9**	**-1.0**
General government balance (b)				-7.7	-9.4	-9.0	-7.9	**-7.5**	**-7.1**	**-6.9**
Structural budget balance				-	-	-	-	**-**	**-**	**-**
General government gross debt (b)				71.6	83.5	82.2	81.2	**81.5**	**80.8**	**79.9**

(a) as % of total labour force. (b) as a percentage of GDP. (c) national indicator. National accounts, Balance of Payments, and Government Finance variables are reported in fiscal years (April to March).

ACKNOWLEDGEMENTS

This report was prepared in the Directorate-General for Economic and Financial Affairs under the direction of Maarten Verwey – Director-General and Reinhard Felke – Director “Policy coordination, economic forecasts and communication”.

Executive responsibilities were attached to Laura Bardone – Head of Unit “Economic situation, forecasts, business and consumer surveys”, Kristian Orsini – Deputy Head of Unit “Economic situation, forecasts, business and consumer surveys”. Reuben Borg and Alexandru Zeana ensured the coordination of the forecast process.

Part I “Economic outlook for the euro area and the EU” benefited from contributions by Christos Axioglou, Reuben Borg, Lucian Briciu, Christian Buelens, Alessandra Cepparulo, Aron Kiss, Anna Chiara Küffel, Gábor Márk Pellényi, Vito Ernesto Reitano, Andras Rezessy, Farzaneh Shamsfakhr, Rupert Willis, Przemysław Woźniak, Tomasz Zdrodowski and Alexandru Zeana. In Part II “Special issues”, Special Issue 1 “The macroeconomic impact of US tariffs" was prepared by Gergő Motyovszki, Philipp Pfeiffer; Special Issue 2 “Business adjustment to tensions in foreign markets and drivers of consumers’ views on the economy: Survey evidence" was prepared by Roberta Friz, Irene Gkiouleka, Staffan Lindén, Fiona Morice; and Special Issue 3 “The economic impact of higher defence spending” was prepared by Alessandra Cepparulo, Olga Croitorov, Luigi Giamboni, Kristian Orsini, Gábor Márk Pellényi, Philipp Pfeiffer, Vito Ernesto Reitano. Box I.3.1. “Signals of a turnaround in the housing market” was prepared by Vitor Martins, Bořek Vašíček, and Alexandru Zeana. Box I.4.1. “Estimating the growth potential of Germany’s recent reform of its national fiscal framework” was prepared by Francesca Crucitti, Felix Lödl, Philipp Pfeiffer, Leonard Salzmann. Box I.4.2. “The impact of interest rate changes on euro area households' net interest income” was prepared by Lucian Briciu, Anneleen Vandeplas and Alexandru Zeana. Box I.7.1. “What do different data sources reveal about the EU’s export performance?” was prepared by Gábor Márk Pellényi. Box II.1.1: “EU-US trade relationship through the lens of global value chains” was prepared by Alba Catalan Piera, Pablo Piñero-Mira, Jose Manuel Ruede Cantuche (JRC) and Przemysław Woźniak.

Part III on “Member States” was prepared under the supervision of Isabel Grilo, Luc Tholoniat and Javier Yaniz Igal (acting), Directors for the “Economies of the Member States”. These sections benefited from contributions by Ronald Albers, Lucian Albulescu, Aurelija Anciūtė, Judit Antal, Martin Åström, Luca Barbieri, Paolo Battaglia, Barbara Bernardi, François Blondeau, Paul Brans, Francisco de Castro Fernández, Polona Cigoj, Eglė Čeponytė, Alessandro Cisotta, Fanny Dellinger, Marika Demkowicz, Živilė Didžiokaitė, László Dózsa, Miriam Franzelin, Carmine Gabriele, Sotirios Giannoulis, Oscar Gómez Lacalle, Leyre Gómez-Oliveros Duran, Peter Harvan, Martijn Hoogeland, Zuzanna Iskierka, Dirk Kamps, Leena Kerkelä, Szabolcs Klubuk, Daniel Kosicki, Mitja Košmrl, Radoslav Krastev, Jens Larsen, Anna Laudwein, François Le Helloco, Felix Lödl, Ivan Lozev, Simone Macchi, Nikolas Mayer, Giulia Maravalli, Ján Mutkovič, Natalie Lubenets, Ardi Priks, Ruslan Lukach, Mihai Macovei, Janis Malzubris, Dorin Mantescu, Robert Markiewicz, Tiago Pereira, Benedetta Martinelli, Jakub Mazur, Clíona McDonnell, Fabrizio Melcarne, Laurent Moulin, Thomas Ouin-Lagarde, Balázs Pálvölgyi, Mona Papadakou, Angeliki Paritsi, Martin Pažický, Sabine Prevost, Paulina Rogowska, Marija Roguljić, Leonard Salzmann, Matilde Santini, Johannes Schuffels, Ana Seco Justo, Suada Sela, Roberto Sigismondo, Michael Sket, Peeter Soidla, Gints Trupovnieks, Susanna Ulinski, Daniel Vâlcu, Milda Valentinaitė, Vasiliki Vasilopoulou, Michael Vedsø, Alberto Vidan Bermudez, Martina von Terzi, Goran Vukšić, Kai-Young Weißschädel, Kristina Xuereb, Christos Zavos and Pieterjan van der Zwan.

The sections on “Candidate Countries” and “Other non-EU countries” were prepared under the supervision of Annika Eriksgaard, Director of the “International economic and financial relations, global governance”. These sections, and forecasts for all other non-EU economies, benefited from contributions by Annika Beermann, Piotr Bogumił, Bernhard Böhm, Samir Chouman, Hugo Ferradans Ramonde, Norbert Gaál, Ignacio García Aguilar, Dalia Grigonytė, Renata Hrůzová, Plamen

Kaloyanchev, Lisa Klinger, Ivan Kušen, Milan Lisicky, Vincent Löwe, Andreea Maerean, Maria Maierean, Alexandros Mouzakitis, Moisés Orellana, Stéphanie Pamies, José Ramón Perea, Jerzy Pieńkowski, Rafał Raciborski, Uwe Stamm, Barbara Stearns-Bläsing, Vladimír Solanič, András Tari and Rupert Willis.

Support in editing the report by Lorenzo Rosati, and for its communication and publication by Lorenzo Rosati, Nicolas Carpentiers, Manuel De La Red Carino, Robert Gangl, Olivier Glorieux, Tamás Nagy, Sarka Novotna and Yasmina Quertinmont under the responsibility of Matthieu Hebert and Iciar Rodriguez Miranda, is gratefully acknowledged.

Follow-up calculations were performed by Pedro Arevalo, Francesca D'Auria, Olga Croitorov, Francesca Crucitti, Anna Monisso and Kieran Mc Morrow under the responsibility of Björn Döhring. Forecast assumptions were prepared by Paloma Cortés, Grzegorz Janowicz and Jannik Sielmann. Statistical support for the production of the forecast was provided by Anna Chiara Küffel, Ingo Kuhnert, Simone Russo, Jurgen Van Geijstelen, Cédric Viguie and Tomasz Zdrodowski. Further statistical and layout assistance was provided by Szabolcs Klubuk, Johann Korner, Gianluca Papa, Jacek Szelożyński and Christos Zavos.

Valuable comments and suggestions by Gerrit Bethuyne, Stefan Ciobanu, Angela D'Elia, Björn Döhring, María José Doval Tedin, Patrick D'Souza, Miroslav Florian, Christian Gayer, Joern Griesse, Valeska Gronert, Martin Hallet, Renata Hrůzová, Aron Kiss, Zenon Kontolemis, Bettina Kromen, Stefan Kuhnert, Paul Kutos, Júlia Lendvai, Milan Lisicky, Maarten Masselink, Gilles Mourre, Moisés Orellana, Dino Pinelli, Eric Ruscher, Matteo Salto, Marie-Luise Schmitz, Dominique Simonis, Uwe Stamm, Andras Tari, Lotte Taylor, Michael Thiel, Roberta Torre, Alessandro Turrini, Anneleen Vandeplas, Valerie Vandermeulen, Charlotte Van Hooydonk, Florian Wöhlbier, Norbert Wunner and Javier Yaniz Igal are gratefully acknowledged.

Secretarial support for the finalisation of this report was provided by Maria Symeonidou.

Comments on the report would be gratefully received and should be sent to:
Directorate-General for Economic and Financial Affairs
Unit A3: Economic situation, forecasts, business and consumer surveys
European Commission
B-1049 Brussels
E-mail: ecfin-forecasts@ec.europa.eu

Statistical Annex

European Economic Forecast – Spring 2025

Contents

Output : GDP and its components

Prices

Wages, population and labour market

Exchange rates

General Government

Saving

Trade and international payments

World economy

Table 1: Gross domestic product, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.5	1.1	0.4	6.2	4.3	1.2	**1.0**	**0.8**	**0.9**	*1.1*	*1.2*	*1.5*
Germany	1.2	1.7	0.6	3.7	1.4	-0.3	**-0.2**	**0.0**	**1.1**	*-0.1*	*0.7*	*1.3*
Estonia	-0.4	3.6	2.6	7.2	0.1	-3.0	**-0.3**	**1.1**	**2.3**	*-1.0*	*1.1*	*2.6*
Ireland	0.4	7.1	6.2	16.3	8.6	-5.5	**1.2**	**3.4**	**2.5**	*-0.5*	*4.0*	*3.6*
Greece	-0.1	-4.1	-0.8	8.7	5.7	2.3	**2.3**	**2.3**	**2.2**	*2.1*	*2.3*	*2.2*
Spain	0.9	0.1	-0.3	6.7	6.2	2.7	**3.2**	**2.6**	**2.0**	*3.0*	*2.3*	*2.1*
France	0.9	1.1	-0.2	6.9	2.6	0.9	**1.2**	**0.6**	**1.3**	*1.1*	*0.8*	*1.4*
Croatia	0.7	-0.2	0.8	12.6	7.3	3.3	**3.9**	**3.2**	**2.9**	*3.6*	*3.3*	*2.9*
Italy	-0.3	-0.7	-1.0	8.9	4.8	0.7	**0.7**	**0.7**	**0.9**	*0.7*	*1.0*	*1.2*
Cyprus	2.7	-1.7	4.2	11.4	7.2	2.8	**3.4**	**3.0**	**2.5**	*3.6*	*2.8*	*2.5*
Latvia	-0.5	3.6	1.5	6.9	1.8	2.9	**-0.4**	**0.5**	**2.0**	*0.0*	*1.0*	*2.1*
Lithuania	0.9	4.3	3.4	6.4	2.5	0.3	**2.8**	**2.8**	**3.1**	*2.2*	*3.0*	*3.0*
Luxembourg	2.8	2.1	2.0	6.9	-1.1	-0.7	**1.0**	**1.7**	**2.0**	*1.2*	*2.3*	*2.2*
Malta	3.3	5.7	4.9	13.3	4.3	6.8	**6.0**	**4.1**	**4.0**	*5.0*	*4.3*	*4.3*
Netherlands	1.4	0.9	1.1	6.3	5.0	0.1	**1.0**	**1.3**	**1.2**	*0.8*	*1.6*	*1.5*
Austria	1.3	1.1	0.4	4.8	5.3	-1.0	**-1.2**	**-0.3**	**1.0**	*-0.6*	*1.0*	*1.4*
Portugal	0.6	-0.9	0.5	5.6	7.0	2.6	**1.9**	**1.8**	**2.2**	*1.7*	*1.9*	*2.1*
Slovakia	5.1	2.5	1.7	5.7	0.4	2.2	**2.1**	**1.5**	**1.4**	*2.2*	*2.3*	*2.5*
Slovenia	1.8	0.4	2.3	8.4	2.7	2.1	**1.6**	**2.0**	**2.4**	*1.4*	*2.5*	*2.6*
Finland	0.9	0.0	1.2	2.7	0.8	-0.9	**-0.1**	**1.0**	**1.3**	*-0.3*	*1.5*	*1.6*
Euro area	0.8	0.8	0.3	6.3	3.5	0.4	**0.9**	**0.9**	**1.4**	*0.8*	*1.3*	*1.6*
Bulgaria	3.5	1.3	1.7	7.8	4.0	1.9	**2.8**	**2.0**	**2.1**	*2.4*	*2.9*	*3.0*
Czechia	2.4	1.6	1.7	4.0	2.8	-0.1	**1.1**	**1.9**	**2.1**	*1.0*	*2.4*	*2.7*
Denmark	0.2	1.2	1.6	7.4	1.5	2.5	**3.7**	**3.6**	**2.0**	*2.4*	*2.5*	*1.8*
Hungary	-0.1	2.1	2.5	7.2	4.3	-0.8	**0.5**	**0.8**	**2.5**	*0.6*	*1.8*	*3.1*
Poland	4.6	3.1	3.4	6.9	5.3	0.2	**2.9**	**3.3**	**3.0**	*3.0*	*3.6*	*3.1*
Romania	2.8	2.8	3.4	5.5	4.0	2.4	**0.8**	**1.4**	**2.2**	*1.4*	*2.5*	*2.9*
Sweden	1.6	2.1	1.3	5.9	1.5	-0.1	**1.0**	**1.1**	**1.9**	*0.3*	*1.8*	*2.6*
EU	1.0	1.0	0.6	6.3	3.5	0.5	**1.0**	**1.1**	**1.5**	*0.9*	*1.5*	*1.8*
United Kingdom	0.4	2.0	-0.7	8.6	4.8	0.4	**1.1**	**1.0**	**1.3**	*1.0*	*1.4*	*1.4*
Japan	0.0	1.0	-0.3	2.7	0.9	1.5	**0.1**	**0.7**	**0.6**	*0.2*	*1.2*	*1.0*
United States	1.0	2.1	1.4	6.1	2.5	2.9	**2.8**	**1.6**	**1.6**	*2.7*	*2.1*	*2.2*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2024-26) 30.04.2025

	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4
Belgium	0.4	0.3	0.3	0.2	0.4	0.2	-0.1	0.1	0.3	0.3	0.4	0.4
Germany	0.2	-0.3	0.1	-0.2	0.2	0.0	0.0	0.1	0.2	0.3	0.3	0.3
Estonia	0.0	0.2	0.2	0.7	0.1	0.2	-0.1	0.0	0.7	0.9	1.0	1.1
Ireland	1.6	-0.4	4.1	3.6	3.2	:	:	:	:	:	:	:
Greece	0.1	1.2	0.4	0.9	:	:	:	:	:	:	:	:
Spain	1.0	0.8	0.7	0.7	0.6	0.5	0.6	0.5	0.5	0.5	0.5	0.5
France	0.1	0.3	0.4	-0.1	0.1	0.2	0.2	0.3	0.3	0.4	0.5	0.5
Croatia	0.7	1.2	0.4	1.5	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Italy	0.3	0.1	0.0	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cyprus	1.8	0.0	0.8	0.3	:	:	:	:	:	:	:	:
Latvia	-0.2	0.0	-0.2	0.0	0.1	0.3	0.4	0.4	0.6	0.6	0.5	0.4
Lithuania	1.3	0.4	1.2	1.0	0.6	0.3	0.7	0.7	0.8	0.8	0.9	0.9
Luxembourg	0.6	0.7	-0.9	1.4	0.9	-0.3	0.2	0.4	0.4	0.7	1.0	1.1
Malta	1.3	2.8	-0.6	-0.7	:	:	:	:	:	:	:	:
Netherlands	-0.2	1.0	0.8	0.4	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.4
Austria	0.0	-0.4	-0.2	-0.4	0.2	0.0	0.0	0.0	0.3	0.4	0.4	0.4
Portugal	0.6	0.4	0.4	1.5	-0.5	0.4	0.6	0.6	0.6	0.6	0.6	0.6
Slovakia	0.6	0.3	0.3	0.5	0.2	0.5	0.5	0.5	0.2	0.3	0.4	0.4
Slovenia	0.0	0.1	0.4	0.6	0.5	0.5	0.5	0.5	0.7	0.7	0.7	0.7
Finland	0.5	0.1	0.6	0.0	0.1	0.2	0.3	0.4	0.3	0.4	0.4	0.4
Euro area	0.3	0.2	0.4	0.2	0.4	0.0	0.1	0.3	0.4	0.4	0.4	0.4
Bulgaria	0.8	0.8	0.8	0.9	0.5	0.1	0.1	0.2	0.6	0.8	0.8	1.0
Czechia	0.3	0.2	0.6	0.7	0.5	0.4	0.4	0.4	0.5	0.6	0.6	0.7
Denmark	-0.1	1.4	1.2	1.8	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Hungary	0.4	-0.2	-0.7	0.6	-0.2	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Poland	0.8	1.5	0.1	1.4	:	:	:	:	:	:	:	:
Romania	-0.4	0.4	-0.1	0.6	:	:	:	:	:	:	:	:
Sweden	1.1	0.0	0.5	0.6	0.0	0.1	0.3	0.4	0.6	0.6	0.6	0.6
EU	0.3	0.3	0.4	0.4	0.3	0.1	0.1	0.3	0.4	0.4	0.5	0.5
United Kingdom	0.9	0.5	0.0	0.1	0.2	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Japan	-0.5	0.8	0.4	0.6	0.1	-0.1	-0.1	-0.1	0.3	0.3	0.3	0.3
United States	0.4	0.7	0.8	0.6	-0.1	0.5	0.3	0.2	0.4	0.5	0.5	0.5

Note: See note 10 for aggregation details for the EU and EA aggregates.

Table 3: **Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2024-26)** **30.04.2025**

	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4
Belgium	0.8	1.0	1.2	1.1	1.1	0.9	0.6	0.5	0.4	0.5	1.1	1.4
Germany	-0.1	-0.2	-0.3	-0.2	-0.2	0.1	0.0	0.3	0.3	0.6	1.0	1.2
Estonia	-1.0	-0.7	-0.2	1.1	1.2	1.2	0.9	0.3	0.9	1.6	2.7	3.8
Ireland	-3.8	-3.1	3.0	9.2	10.9	:	:	:	:	:	:	:
Greece	2.1	2.1	2.3	2.6	:	:	:	:	:	:	:	:
Spain	2.7	3.3	3.3	3.3	2.8	2.6	2.5	2.3	2.2	2.1	2.0	1.9
France	1.4	1.0	1.3	0.8	0.8	0.7	0.4	0.8	1.0	1.2	1.5	1.7
Croatia	4.4	3.3	4.2	3.8	3.7	3.2	3.4	2.6	2.8	2.9	2.9	3.0
Italy	0.3	0.6	0.6	0.6	0.6	0.7	0.9	1.0	0.9	0.8	0.8	0.7
Cyprus	3.9	3.4	3.6	2.9	:	:	:	:	:	:	:	:
Latvia	-0.3	0.0	-0.9	-0.4	-0.1	0.2	0.8	1.1	1.7	2.0	2.1	2.1
Lithuania	2.8	1.6	2.6	3.9	3.2	3.1	2.6	2.3	2.5	3.0	3.2	3.4
Luxembourg	0.5	1.6	0.0	1.9	2.2	1.2	2.2	1.2	0.6	1.6	2.4	3.2
Malta	8.4	8.0	5.0	2.8	:	:	:	:	:	:	:	:
Netherlands	-0.6	0.6	1.9	2.1	2.4	1.6	1.0	0.9	1.1	1.2	1.3	1.4
Austria	-1.7	-1.7	-1.1	-0.9	-0.7	-0.4	-0.2	0.1	0.2	0.7	1.2	1.7
Portugal	1.4	1.5	2.0	2.9	1.8	1.9	2.1	1.1	2.2	2.3	2.3	2.3
Slovakia	2.9	2.1	1.7	1.6	1.2	1.4	1.6	1.6	1.6	1.4	1.3	1.2
Slovenia	2.0	0.9	1.3	1.1	1.6	1.9	2.0	1.9	2.1	2.3	2.5	2.8
Finland	-1.3	-1.2	0.8	1.2	0.7	0.8	0.5	0.9	1.2	1.5	1.6	1.6
Euro area	0.5	0.5	1.0	1.2	1.2	1.1	0.7	0.7	0.8	1.1	1.5	1.7
Bulgaria	2.0	2.4	2.8	3.4	3.0	2.3	1.6	0.8	1.0	1.7	2.4	3.3
Czechia	0.4	0.4	1.4	1.8	2.0	2.2	2.0	1.7	1.8	1.9	2.1	2.4
Denmark	2.5	4.1	3.7	4.4	5.0	4.1	3.3	1.9	2.0	2.0	2.0	2.0
Hungary	1.6	1.2	-0.8	0.1	-0.4	0.4	1.7	1.7	2.5	2.5	2.5	2.5
Poland	1.7	3.9	2.1	3.8	:	:	:	:	:	:	:	:
Romania	1.9	0.9	0.1	0.5	:	:	:	:	:	:	:	:
Sweden	0.0	0.6	0.9	2.2	1.1	1.2	1.1	0.9	1.5	1.9	2.1	2.2
EU	0.6	0.8	1.1	1.4	1.4	1.3	1.0	0.9	1.0	1.3	1.6	1.8
United Kingdom	0.7	1.1	1.2	1.5	0.8	0.7	1.1	1.5	1.5	1.4	1.3	1.1
Japan	-0.8	-0.7	0.7	1.2	1.8	0.9	0.4	-0.2	0.0	0.4	0.7	1.1
United States	2.9	3.0	2.7	2.5	2.0	1.8	1.4	1.0	1.5	1.5	1.6	1.9

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, 2006-2026)** **30.04.2025**

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	0.7	0.4	-0.1	5.8	3.4	0.3	**0.4**	**0.4**	**0.5**	*0.7*	*0.9*	*1.2*
Germany	1.5	1.3	0.2	3.6	0.6	-1.1	**-0.5**	**-0.2**	**1.0**	*-0.4*	*0.5*	*1.2*
Estonia	0.0	3.9	2.4	7.1	-0.1	-5.4	**-0.9**	**1.3**	**2.5**	*-1.0*	*1.1*	*2.6*
Ireland	-1.4	6.5	4.7	14.9	6.4	-7.2	**-0.5**	**2.2**	**1.4**	*-2.3*	*2.8*	*2.6*
Greece	-0.3	-3.6	-0.6	9.2	6.4	2.6	**2.4**	**2.5**	**2.5**	*2.6*	*2.7*	*2.6*
Spain	-0.4	0.2	-0.7	6.7	5.2	1.4	**2.2**	**1.7**	**1.3**	*1.8*	*1.4*	*1.3*
France	0.4	0.6	-0.6	6.5	2.3	0.6	**0.8**	**0.2**	**1.0**	*0.8*	*0.5*	*1.0*
Croatia	0.8	0.3	2.1	13.4	7.4	2.7	**4.0**	**3.3**	**2.9**	*3.5*	*3.4*	*3.0*
Italy	-0.9	-0.8	-0.8	9.5	5.0	0.8	**0.8**	**0.8**	**1.0**	*0.7*	*1.2*	*1.5*
Cyprus	0.4	-2.4	3.1	9.7	5.2	0.8	**1.8**	**1.6**	**1.3**	*2.2*	*1.8*	*1.5*
Latvia	0.8	4.9	2.3	7.9	1.7	3.1	**0.7**	**1.2**	**2.8**	*1.0*	*1.7*	*2.9*
Lithuania	2.3	5.6	4.1	6.5	1.7	-1.1	**2.2**	**2.5**	**3.3**	*1.7*	*3.5*	*3.7*
Luxembourg	1.0	-0.2	-0.1	5.3	-3.2	-2.5	**-0.6**	**-0.1**	**0.3**	*-0.4*	*0.5*	*0.5*
Malta	2.7	4.2	1.8	12.7	1.6	2.6	**2.7**	**1.6**	**2.0**	*1.4*	*1.8*	*2.3*
Netherlands	1.0	0.5	0.6	5.7	4.0	-0.9	**0.3**	**0.8**	**0.8**	*0.3*	*1.0*	*1.0*
Austria	1.0	0.4	-0.3	4.4	4.1	-1.8	**-1.7**	**-0.5**	**0.7**	*-0.9*	*0.7*	*1.2*
Portugal	0.5	-0.5	0.5	5.3	6.4	1.6	**0.9**	**1.0**	**1.6**	*0.8*	*1.4*	*1.9*
Slovakia	5.0	2.6	1.5	6.1	0.1	2.2	**2.0**	**1.7**	**1.7**	*2.0*	*2.6*	*2.7*
Slovenia	1.4	0.3	2.0	8.1	2.6	1.6	**1.3**	**1.8**	**2.2**	*1.1*	*2.3*	*2.4*
Finland	0.5	-0.5	1.0	2.5	0.5	-1.3	**-0.8**	**0.6**	**1.1**	*-0.9*	*1.1*	*1.5*
Euro area	0.4	0.6	0.1	6.3	3.0	-0.2	**0.5**	**0.6**	**1.1**	*0.4*	*1.0*	*1.4*
Bulgaria	4.0	2.9	3.1	8.5	4.7	2.2	**3.0**	**2.4**	**2.7**	*2.9*	*3.2*	*3.6*
Czechia	1.9	1.6	1.7	4.0	0.4	-1.1	**1.0**	**1.7**	**1.9**	*0.7*	*2.2*	*2.5*
Denmark	-0.3	0.7	1.1	6.9	0.6	1.8	**3.2**	**3.2**	**1.5**	*1.9*	*2.1*	*1.3*
Hungary	0.0	2.5	2.8	7.7	4.6	-0.7	**0.8**	**1.1**	**2.8**	*0.8*	*2.1*	*3.4*
Poland	4.7	3.2	3.8	7.5	3.0	0.6	**3.3**	**3.4**	**3.1**	*3.1*	*3.7*	*3.2*
Romania	3.9	3.2	4.0	6.4	4.4	2.3	**0.8**	**1.5**	**2.4**	*1.4*	*2.6*	*3.0*
Sweden	0.9	1.2	0.2	5.3	0.4	-0.8	**0.6**	**0.8**	**1.7**	*0.2*	*1.6*	*2.5*
EU	0.7	0.9	0.4	6.4	2.8	-0.1	**0.7**	**0.9**	**1.3**	*0.6*	*1.3*	*1.6*
United Kingdom	-0.3	1.2	-1.2	8.2	3.9	-0.9	**0.0**	**0.3**	**0.6**	*0.3*	*0.7*	*0.7*
Japan	-0.1	1.2	-0.1	2.8	1.4	2.1	**0.6**	**1.2**	**1.1**	*0.7*	*1.7*	*0.5*
United States	0.1	1.3	0.8	5.8	1.9	2.0	**1.9**	**0.8**	**0.8**	*1.9*	*1.3*	*1.4*

Table 5: Domestic demand, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.7	1.3	0.4	4.6	4.3	1.4	**0.9**	**1.4**	**1.0**	*1.0*	*1.4*	*1.5*
Germany	1.0	1.3	1.1	3.0	2.8	-0.4	**0.4**	**1.1**	**1.2**	*-0.6*	*0.8*	*1.4*
Estonia	-1.3	4.9	3.5	7.8	0.1	-1.5	**-0.8**	**1.4**	**2.6**	*-1.2*	*0.8*	*2.6*
Ireland	-1.3	5.2	8.4	-16.4	8.0	6.0	**-11.6**	**8.4**	**2.3**	*-8.5*	*9.1*	*2.3*
Greece	-0.3	-5.0	0.3	7.2	7.7	1.8	**4.3**	**2.9**	**2.4**	*3.4*	*2.6*	*2.3*
Spain	0.2	-0.9	0.1	7.0	3.9	1.7	**2.9**	**2.8**	**2.2**	*2.5*	*2.3*	*2.2*
France	1.2	1.1	0.1	6.0	2.8	0.3	**0.3**	**0.7**	**1.3**	*-0.1*	*0.5*	*1.2*
Croatia	-0.2	-0.5	2.4	7.0	7.6	1.5	**6.3**	**4.0**	**3.3**	*5.8*	*3.7*	*2.8*
Italy	-0.2	-1.5	-1.0	9.2	5.6	0.1	**0.4**	**0.9**	**1.1**	*-0.5*	*1.2*	*1.2*
Cyprus	4.1	-3.5	4.9	5.6	8.5	5.2	**0.6**	**3.0**	**2.4**	*3.0*	*2.2*	*2.0*
Latvia	-2.3	3.5	2.2	10.7	1.1	4.6	**-1.0**	**0.7**	**2.0**	*-1.0*	*1.1*	*2.2*
Lithuania	-0.2	4.2	1.5	7.2	2.3	-1.4	**3.0**	**3.4**	**3.3**	*1.4*	*3.5*	*3.2*
Luxembourg	2.6	2.8	1.6	10.0	0.2	1.1	**-0.1**	**2.8**	**2.8**	*1.3*	*3.0*	*2.5*
Malta	1.6	4.6	4.1	12.4	8.1	2.1	**5.3**	**3.8**	**3.5**	*5.2*	*3.9*	*4.1*
Netherlands	1.3	1.0	0.6	6.0	5.0	-1.1	**0.9**	**1.8**	**1.4**	*0.6*	*1.6*	*1.8*
Austria	1.0	0.9	0.3	7.0	3.7	-3.8	**-1.5**	**-0.1**	**0.9**	*-0.9*	*0.9*	*1.2*
Portugal	0.5	-2.2	1.2	5.8	4.7	1.7	**2.6**	**2.9**	**2.8**	*2.0*	*2.3*	*2.5*
Slovakia	3.6	1.3	1.5	6.5	1.7	-4.9	**3.9**	**1.6**	**1.9**	*4.3*	*2.4*	*1.8*
Slovenia	1.3	-1.0	2.3	10.3	4.5	-0.2	**2.1**	**2.0**	**2.7**	*3.5*	*2.7*	*3.1*
Finland	0.9	0.6	1.0	3.1	2.7	-4.0	**-0.9**	**1.0**	**1.5**	*-1.0*	*1.6*	*1.5*
Euro area	0.7	0.4	0.6	5.1	3.8	0.1	**0.5**	**1.5**	**1.5**	*0.0*	*1.4*	*1.5*
Bulgaria	2.6	0.9	2.9	7.2	5.8	-1.9	**4.3**	**2.5**	**2.5**	*3.5*	*3.0*	*3.5*
Czechia	1.9	1.1	1.6	7.3	3.3	-2.7	**0.5**	**3.0**	**2.9**	*0.4*	*3.3*	*3.1*
Denmark	0.2	1.5	1.9	7.7	-0.4	-2.9	**0.4**	**2.4**	**2.0**	*0.3*	*2.9*	*1.6*
Hungary	-1.9	1.3	3.9	6.5	4.3	-5.4	**-0.1**	**1.5**	**3.0**	*-0.6*	*2.8*	*3.5*
Poland	5.0	2.5	3.0	8.6	4.8	-3.0	**4.2**	**4.0**	**3.3**	*4.2*	*4.2*	*3.2*
Romania	4.1	2.1	4.7	6.6	4.2	2.0	**3.5**	**1.9**	**2.4**	*4.2*	*2.9*	*3.1*
Sweden	2.2	2.4	1.0	6.0	2.8	-2.5	**0.6**	**1.0**	**1.6**	*-0.5*	*1.7*	*2.4*
EU	0.9	0.6	0.8	5.4	3.7	-0.3	**0.7**	**1.6**	**1.6**	*0.3*	*1.6*	*1.8*
United Kingdom	0.3	2.2	-0.9	9.3	5.0	0.0	**2.4**	**1.5**	**1.4**	*1.5*	*1.3*	*1.4*
Japan	-0.5	1.3	-0.3	1.7	1.5	0.5	**0.2**	**0.7**	**0.6**	*0.2*	*1.2*	*1.0*
United States	0.5	2.2	1.6	7.1	2.7	2.3	**3.1**	**1.6**	**1.4**	*3.0*	*2.2*	*2.2*

Table 6: Final demand, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.9	1.9	1.1	9.1	5.0	-2.7	**-1.1**	**0.0**	**1.4**	*-0.4*	*1.6*	*2.0*
Germany	1.8	2.1	0.8	5.0	2.9	-0.4	**-0.1**	**0.2**	**1.2**	*-0.4*	*1.0*	*1.8*
Estonia	0.9	5.5	3.1	13.6	2.3	-5.0	**-1.0**	**1.7**	**2.5**	*-0.8*	*1.7*	*2.8*
Ireland	1.4	9.1	8.9	2.8	11.8	-2.3	**4.0**	**3.3**	**2.6**	*4.0*	*3.4*	*3.3*
Greece	-0.1	-3.3	0.1	11.1	7.4	1.8	**3.3**	**2.9**	**2.6**	*3.1*	*2.9*	*2.7*
Spain	0.5	0.3	-0.3	8.5	6.6	2.0	**3.0**	**2.7**	**2.2**	*2.8*	*2.5*	*2.3*
France	1.2	1.7	-0.2	7.2	4.1	0.8	**0.5**	**0.8**	**1.5**	*0.4*	*1.1*	*1.8*
Croatia	0.0	0.8	1.5	14.1	13.9	-0.1	**4.4**	**3.4**	**3.0**	*3.9*	*3.4*	*2.9*
Italy	-0.1	-0.6	-0.9	10.3	6.6	0.1	**0.4**	**0.9**	**1.3**	*-0.3*	*1.5*	*1.6*
Cyprus	3.3	-0.7	5.9	15.1	17.6	1.0	**2.9**	**3.3**	**3.0**	*5.3*	*2.9*	*2.2*
Latvia	-0.3	4.5	2.4	10.1	5.1	0.7	**-1.2**	**1.1**	**2.0**	*-1.3*	*1.3*	*2.2*
Lithuania	1.7	5.2	3.8	11.3	6.9	-2.3	**2.6**	**3.2**	**3.3**	*2.3*	*3.4*	*3.3*
Luxembourg	3.4	4.2	2.9	11.0	1.2	0.0	**0.2**	**3.0**	**3.1**	*1.1*	*3.8*	*3.4*
Malta	4.2	7.1	7.5	4.5	11.4	4.2	**5.3**	**3.6**	**3.2**	*4.0*	*3.5*	*3.4*
Netherlands	1.9	2.9	1.5	6.4	4.7	-0.8	**0.7**	**1.3**	**1.6**	*0.3*	*1.9*	*2.1*
Austria	1.6	1.6	0.6	7.9	6.0	-2.5	**-2.6**	**-0.4**	**1.3**	*-1.3*	*1.4*	*1.7*
Portugal	1.1	-0.2	0.9	7.4	8.3	2.4	**2.9**	**2.5**	**2.8**	*2.6*	*2.5*	*2.7*
Slovakia	5.2	3.9	1.6	8.4	2.2	-2.9	**2.2**	**1.7**	**1.8**	*3.2*	*3.1*	*2.8*
Slovenia	2.5	1.3	2.9	12.2	5.5	-1.0	**2.6**	**2.1**	**2.9**	*2.3*	*2.9*	*3.2*
Finland	1.2	0.5	1.4	3.9	3.2	-2.7	**-0.6**	**1.4**	**1.7**	*-0.7*	*2.1*	*1.9*
Euro area	1.2	1.5	0.8	7.1	5.0	-0.2	**0.7**	**1.1**	**1.6**	*0.5*	*1.6*	*2.0*
Bulgaria	3.4	3.0	2.5	8.8	8.2	-1.1	**2.3**	**2.2**	**2.4**	*2.3*	*3.0*	*3.3*
Czechia	3.7	3.0	1.5	7.7	4.1	-0.4	**1.0**	**2.2**	**2.7**	*0.7*	*2.9*	*3.0*
Denmark	0.8	2.1	1.9	8.1	2.5	3.0	**3.4**	**3.7**	**2.2**	*2.2*	*2.5*	*1.9*
Hungary	2.3	3.1	3.4	7.3	7.1	-2.1	**-1.4**	**0.9**	**2.9**	*-1.2*	*2.7*	*4.3*
Poland	5.7	3.5	3.9	9.9	5.8	-0.4	**3.4**	**3.2**	**3.0**	*3.0*	*3.6*	*3.1*
Romania	5.5	3.9	4.8	8.2	5.6	1.2	**1.7**	**1.8**	**2.5**	*2.5*	*2.7*	*3.0*
Sweden	2.1	2.7	1.5	7.9	3.9	-0.3	**1.2**	**1.3**	**1.7**	*0.3*	*1.8*	*2.6*
EU	1.4	1.7	1.0	7.3	5.0	-0.2	**0.9**	**1.3**	**1.8**	*0.7*	*1.8*	*2.2*
United Kingdom	0.7	2.4	-0.7	8.0	6.7	-0.1	**1.5**	**1.2**	**1.4**	*0.8*	*1.2*	*1.4*
Japan	-0.1	1.5	-0.3	3.0	2.1	0.9	**0.3**	**0.9**	**0.7**	*0.2*	*1.5*	*1.2*
United States	1.0	2.3	1.3	7.0	3.2	2.4	**3.1**	**1.6**	**1.4**	*3.1*	*2.3*	*2.3*

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	2.1	1.2	-0.2	5.6	3.6	0.6	**2.0**	**1.5**	**1.1**	*0.9*	*1.3*	*1.4*
Germany	0.5	1.1	0.0	2.3	5.6	-0.4	**0.3**	**0.7**	**1.1**	*0.5*	*0.7*	*1.0*
Estonia	-0.1	4.5	2.9	7.1	2.9	-1.3	**-0.3**	**1.4**	**2.4**	*-0.5*	*0.5*	*2.8*
Ireland	1.5	0.6	0.8	8.9	10.8	4.2	**2.3**	**2.4**	**2.3**	*3.0*	*2.8*	*2.6*
Greece	0.2	-4.1	0.3	5.1	8.6	1.8	**2.1**	**1.9**	**1.8**	*1.8*	*1.7*	*1.7*
Spain	0.7	-0.8	-0.9	7.1	4.8	1.8	**2.9**	**2.9**	**2.1**	*2.5*	*2.2*	*2.0*
France	1.7	0.7	-0.2	5.3	3.2	0.8	**1.0**	**1.0**	**1.4**	*0.8*	*0.7*	*1.2*
Croatia	-0.3	-1.0	1.7	10.7	6.9	3.0	**5.6**	**3.8**	**3.4**	*5.5*	*3.6*	*2.9*
Italy	0.2	-0.7	-1.7	5.8	5.3	0.4	**0.4**	**1.2**	**1.1**	*0.0*	*1.0*	*1.2*
Cyprus	3.9	-1.6	2.8	4.7	9.8	5.9	**3.8**	**2.5**	**2.2**	*3.2*	*2.1*	*2.0*
Latvia	0.5	3.2	1.0	8.1	5.1	-1.0	**0.5**	**1.0**	**1.9**	*-0.2*	*1.1*	*2.4*
Lithuania	0.2	3.8	2.0	8.1	2.0	-0.3	**3.5**	**4.2**	**4.0**	*3.8*	*4.5*	*4.0*
Luxembourg	2.9	2.2	0.7	11.4	6.6	2.0	**1.3**	**2.0**	**2.4**	*2.0*	*2.6*	*2.4*
Malta	1.6	3.0	2.6	11.8	11.1	12.2	**5.7**	**4.1**	**3.9**	*4.5*	*4.3*	*4.0*
Netherlands	0.1	0.4	0.1	4.5	6.9	0.8	**1.2**	**1.9**	**1.8**	*0.4*	*1.6*	*1.8*
Austria	1.3	0.5	-0.5	4.8	4.9	-0.5	**0.1**	**0.3**	**1.0**	*0.1*	*1.0*	*1.2*
Portugal	1.0	-1.3	0.6	4.9	5.6	1.9	**3.2**	**3.3**	**2.8**	*2.5*	*2.1*	*2.2*
Slovakia	4.5	0.6	3.4	3.0	5.1	-3.1	**2.9**	**0.9**	**1.6**	*1.8*	*1.4*	*2.3*
Slovenia	2.8	-0.5	1.8	10.5	5.3	0.1	**1.6**	**2.2**	**2.3**	*1.3*	*2.7*	*2.5*
Finland	1.7	0.9	0.1	3.2	0.9	0.0	**-0.1**	**0.5**	**1.6**	*0.1*	*1.3*	*1.5*
Euro area	0.8	0.2	-0.3	4.7	5.0	0.5	**1.1**	**1.3**	**1.4**	*0.9*	*1.2*	*1.4*
Bulgaria	4.2	1.2	2.7	8.5	3.9	1.4	**4.2**	**3.5**	**2.5**	*4.4*	*3.4*	*3.3*
Czechia	2.4	1.1	1.6	4.2	0.5	-2.8	**2.2**	**3.3**	**3.0**	*1.6*	*2.4*	*3.2*
Denmark	0.5	0.8	2.0	6.8	-2.1	1.4	**0.9**	**1.6**	**1.7**	*0.7*	*1.4*	*1.8*
Hungary	-1.3	1.1	3.9	5.1	6.9	-1.0	**5.1**	**3.4**	**3.2**	*3.9*	*3.6*	*3.9*
Poland	4.8	2.1	2.9	6.2	5.2	-0.3	**3.0**	**3.4**	**2.8**	*3.8*	*3.6*	*2.7*
Romania	3.9	2.2	5.3	7.0	5.1	3.0	**6.0**	**2.0**	**2.3**	*5.1*	*2.3*	*2.8*
Sweden	2.4	2.4	0.9	6.0	2.8	-2.1	**0.3**	**1.3**	**2.1**	*0.0*	*2.5*	*3.0*
EU	1.0	0.4	0.0	4.9	4.7	0.4	**1.3**	**1.5**	**1.6**	*1.2*	*1.4*	*1.6*
United Kingdom	0.5	1.9	-1.1	7.2	7.4	0.5	**0.6**	**1.0**	**1.4**	*0.6*	*0.9*	*1.4*
Japan	0.4	0.6	-0.9	0.7	2.1	0.8	**0.0**	**0.6**	**0.5**	*0.1*	*1.3*	*1.1*
United States	1.2	2.1	1.4	8.8	3.0	2.5	**2.8**	**2.0**	**1.3**	*2.7*	*2.1*	*2.0*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.5	0.7	0.7	4.2	3.4	2.9	**2.6**	**2.2**	**0.6**	*1.5*	*1.3*	*1.6*
Germany	2.3	1.7	2.9	3.4	0.1	-0.1	**3.5**	**1.9**	**1.3**	*2.0*	*1.4*	*1.0*
Estonia	2.2	2.6	2.6	3.9	-1.5	0.9	**0.3**	**1.2**	**2.5**	*1.2*	*0.4*	*0.2*
Ireland	0.9	0.6	6.2	6.6	4.1	5.6	**4.0**	**2.9**	**3.6**	*3.9*	*2.6*	*3.6*
Greece	1.5	-3.5	0.2	1.8	0.1	2.6	**-4.1**	**2.6**	**1.1**	*0.9*	*1.1*	*0.7*
Spain	3.7	-0.9	1.9	3.6	0.6	5.2	**4.1**	**2.3**	**1.6**	*3.4*	*1.6*	*1.5*
France	1.7	1.4	0.1	6.6	2.6	0.7	**2.1**	**1.0**	**1.1**	*2.1*	*0.1*	*0.9*
Croatia	3.0	0.5	2.2	2.8	2.2	7.1	**7.0**	**3.9**	**2.9**	*3.6*	*3.2*	*2.4*
Italy	0.2	-1.3	0.3	2.3	0.8	0.6	**1.1**	**0.9**	**0.9**	*-0.3*	*2.3*	*0.4*
Cyprus	4.7	-2.3	5.4	8.9	4.7	1.2	**1.5**	**3.7**	**2.5**	*0.1*	*1.5*	*2.1*
Latvia	-1.3	1.9	3.5	3.7	2.4	7.0	**7.6**	**1.7**	**1.5**	*5.8*	*0.9*	*0.5*
Lithuania	0.0	0.4	-0.3	1.2	1.2	-0.2	**1.4**	**0.3**	**0.2**	*0.0*	*0.1*	*0.1*
Luxembourg	2.4	2.7	4.1	4.8	4.0	1.5	**4.9**	**4.4**	**2.6**	*4.3*	*2.8*	*2.3*
Malta	2.8	5.7	8.5	6.0	0.1	3.1	**7.3**	**4.7**	**4.2**	*8.3*	*2.2*	*5.3*
Netherlands	4.0	-0.2	1.8	4.7	1.3	2.9	**3.6**	**1.8**	**1.3**	*2.7*	*1.9*	*2.1*
Austria	2.1	0.4	0.7	7.6	-0.6	1.2	**1.6**	**-0.4**	**-0.4**	*0.4*	*0.5*	*0.2*
Portugal	0.4	-1.9	0.8	3.8	1.7	0.6	**1.1**	**1.2**	**1.2**	*1.5*	*1.3*	*1.7*
Slovakia	4.7	1.2	1.4	3.7	-2.9	-2.5	**3.7**	**0.9**	**0.8**	*3.8*	*0.4*	*-0.4*
Slovenia	2.4	-0.6	2.3	6.2	-0.7	2.4	**8.5**	**2.8**	**3.7**	*9.9*	*2.5*	*4.4*
Finland	1.1	0.5	1.2	4.3	-0.6	3.4	**0.7**	**-0.2**	**-0.1**	*0.4*	*-0.2*	*0.0*
Euro area	1.9	0.5	1.5	4.4	1.1	1.4	**2.7**	**1.6**	**1.2**	*1.9*	*1.2*	*1.1*
Bulgaria	0.5	0.6	4.4	0.5	8.0	1.1	**4.6**	**0.3**	**1.9**	*4.3*	*1.9*	*3.3*
Czechia	1.2	-0.1	2.9	1.5	0.4	3.4	**3.3**	**2.4**	**2.2**	*3.5*	*2.2*	*2.2*
Denmark	2.3	0.9	0.1	4.9	-2.5	0.2	**1.4**	**4.4**	**2.1**	*2.3*	*3.5*	*0.8*
Hungary	0.2	1.8	2.2	2.0	3.2	3.3	**-4.6**	**0.3**	**1.5**	*-0.8*	*0.4*	*1.9*
Poland	3.8	1.3	3.9	5.0	0.6	4.5	**8.2**	**2.8**	**3.2**	*7.8*	*3.1*	*2.7*
Romania	-0.1	1.5	3.7	-0.6	-1.4	6.3	**0.7**	**0.6**	**1.0**	*3.8*	*-0.6*	*0.9*
Sweden	1.4	1.4	0.6	3.4	0.7	1.4	**1.2**	**1.3**	**0.4**	*0.7*	*0.7*	*0.4*
EU	1.9	0.5	1.5	4.2	1.0	1.6	**2.7**	**1.7**	**1.3**	*2.1*	*1.3*	*1.2*
United Kingdom	1.4	1.1	-0.2	14.3	0.6	1.6	**3.0**	**3.3**	**1.3**	*2.9*	*3.9*	*1.5*
Japan	1.1	1.7	1.4	3.4	1.4	-0.3	**0.9**	**1.0**	**0.8**	*0.5*	*0.8*	*0.7*
United States	1.9	-1.1	2.0	0.4	-1.1	2.9	**2.5**	**1.3**	**1.2**	*2.4*	*1.9*	*1.0*

Table 9: Total investment, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	0.7	2.5	1.5	4.3	1.7	3.5	1.4	0.5	1.2	0.6	1.8	1.9
Germany	1.6	2.2	1.8	0.6	-0.2	-1.2	-2.7	0.2	2.6	-3.0	0.3	2.7
Estonia	-6.3	7.7	10.6	0.3	-8.1	7.5	-6.9	1.6	3.1	-4.6	1.6	4.0
Ireland	-7.7	15.6	17.1	-39.4	3.7	2.8	-25.4	22.4	1.4	-24.8	25.2	1.5
Greece	-3.6	-11.6	1.2	21.7	16.4	6.6	4.5	7.8	7.3	7.4	8.9	7.1
Spain	-3.4	-1.8	2.1	2.6	3.3	2.1	3.0	3.4	3.1	2.0	3.2	3.7
France	0.6	0.3	1.6	9.7	0.0	0.4	-1.3	-1.0	1.4	-1.9	0.0	2.0
Croatia	-1.9	-0.7	3.2	4.8	10.4	10.1	9.9	4.3	3.2	9.1	4.5	3.0
Italy	-2.0	-3.8	0.9	21.5	7.4	9.0	0.5	0.8	1.5	2.0	0.2	2.0
Cyprus	3.7	-11.4	14.2	1.9	10.8	10.7	0.1	3.5	3.0	4.9	3.2	1.8
Latvia	-9.2	6.0	2.8	6.8	-1.6	9.9	-6.7	-1.2	2.6	-5.6	1.1	3.0
Lithuania	-2.7	7.3	5.9	12.6	5.2	9.3	-1.3	3.5	4.0	-4.0	3.5	3.6
Luxembourg	2.4	3.7	1.8	14.6	-13.9	-6.4	-7.3	2.5	3.9	-2.9	4.2	3.0
Malta	3.4	9.0	2.0	22.2	9.8	-17.0	2.4	2.5	2.1	4.4	4.5	3.5
Netherlands	0.2	4.2	0.8	2.4	3.4	1.3	-0.5	0.8	1.5	-1.4	1.2	1.4
Austria	-0.5	2.1	2.3	6.0	0.4	-3.2	-3.4	-0.7	1.9	-3.2	1.2	2.1
Portugal	-1.2	-5.5	4.6	7.8	3.3	3.6	3.0	3.5	4.3	0.8	3.7	4.2
Slovakia	1.2	5.0	-2.3	5.1	4.3	4.0	1.8	3.6	3.8	0.7	6.1	2.5
Slovenia	-2.4	-2.0	2.7	12.3	4.2	3.9	-3.7	0.7	2.8	-0.1	3.2	3.5
Finland	0.7	-0.9	3.2	1.8	1.5	-7.4	-7.1	3.5	3.0	-5.0	4.5	3.4
Euro area	-0.6	0.4	2.4	3.7	2.0	1.6	-1.8	1.3	2.2	-1.9	1.8	2.5
Bulgaria	1.1	0.8	1.3	-8.3	6.5	10.2	-1.1	2.0	3.5	-1.5	3.0	4.5
Czechia	2.0	1.3	2.4	6.7	6.3	2.5	-1.2	0.6	3.2	0.8	2.9	3.5
Denmark	-1.9	3.1	3.9	9.8	2.8	-6.6	2.7	2.4	2.5	-2.3	2.1	2.0
Hungary	-2.6	4.4	5.5	5.7	0.7	-7.7	-11.1	-1.5	4.0	-10.1	3.4	3.9
Poland	6.7	5.3	2.3	1.5	1.7	12.7	-2.2	6.9	5.3	2.3	6.7	5.3
Romania	7.7	3.6	3.0	4.0	5.4	14.5	-3.3	2.3	3.6	5.4	6.7	7.4
Sweden	2.2	3.4	2.4	7.3	0.3	-1.5	-1.1	1.0	2.0	-2.5	1.3	3.7
EU	-0.2	0.9	2.4	4.0	2.1	1.8	-1.8	1.5	2.4	-1.6	2.1	2.8
United Kingdom	-0.9	3.8	0.0	7.6	5.1	0.3	1.5	0.6	1.5	0.4	0.3	1.4
Japan	-3.4	2.7	0.0	0.5	-0.6	1.5	0.3	0.6	0.3	0.6	1.5	1.1
United States	-2.7	4.8	2.6	5.4	2.0	3.2	4.3	1.4	1.7	4.3	2.4	3.9

Table 10: Investment in construction, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	1.4	1.7	1.2	2.8	-1.1	2.6	-0.8	0.8	1.2	-0.6	0.4	0.6
Germany	0.6	1.6	2.5	-3.1	-3.9	-3.4	-3.3	-0.1	1.8	-3.5	-0.9	2.2
Estonia	-8.4	7.0	7.3	5.8	-0.5	6.4	-10.3	1.4	2.9	2.0	3.4	4.0
Ireland	-14.7	2.0	5.0	3.7	2.9	-0.9	-1.9	2.0	2.1	-1.6	4.1	3.6
Greece	-6.0	-16.8	-3.2	22.0	22.7	15.6	5.7	13.1	10.3	1.3	4.2	2.3
Spain	-5.3	-5.1	3.3	0.5	2.2	3.0	3.5	2.7	3.6	2.6	2.9	3.5
France	0.0	-0.6	1.0	11.6	-2.6	-2.9	-2.0	-1.0	3.0	-2.4	0.5	5.0
Croatia	-1.8	-3.0	0.6	3.8	5.4	13.1	14.2	5.4	2.2	10.6	4.4	3.6
Italy	-3.2	-6.0	-0.2	32.5	9.2	15.5	2.0	0.5	1.9	3.5	-3.8	2.0
Cyprus	1.2	-14.6	16.1	17.0	4.2	5.0	3.7	3.7	3.4	5.5	2.9	2.0
Latvia	-8.7	7.4	-0.2	-2.7	-3.0	19.1	-5.0	2.1	2.7	-5.7	1.3	2.7
Lithuania	-2.7	5.4	4.6	2.5	8.8	11.2	1.8	2.0	2.9	0.0	3.3	2.9
Luxembourg	2.2	2.3	1.9	10.4	-8.1	-7.7	-9.4	3.1	3.4	-3.5	2.8	3.0
Malta	-2.1	7.7	5.4	5.9	-25.8	-1.1	7.0	4.0	4.0	2.5	3.9	3.9
Netherlands	-1.4	-0.8	5.9	3.0	1.6	-0.1	-3.4	3.1	1.3	-3.6	0.6	1.3
Austria	-2.2	0.6	1.7	4.1	-1.3	-9.3	-5.4	1.0	2.2	-4.9	2.2	2.3
Portugal	-3.4	-8.2	4.7	6.6	0.9	1.3	1.5	4.9	5.1	0.0	2.4	2.8
Slovakia	1.0	3.9	-1.6	3.7	4.6	8.3	-13.5	3.4	5.3	-5.0	5.7	4.8
Slovenia	-3.6	-5.2	0.9	7.1	3.5	11.9	-5.3	1.5	2.2	-0.7	4.0	4.6
Finland	1.4	-1.0	3.0	-1.1	-0.5	-12.1	-8.9	2.4	2.9	-8.0	5.4	3.9
Euro area	-1.9	-1.7	2.1	6.2	-0.1	0.7	-1.4	0.8	2.4	-1.3	0.1	2.9
Bulgaria	8.1	-4.4	-2.2	-12.5	10.7	2.5	-3.7	1.8	3.9	-3.1	3.5	3.6
Czechia	0.4	-0.8	2.5	2.6	1.1	1.9	-0.7	1.1	6.3	0.7	3.5	4.4
Denmark	-5.6	4.2	4.5	10.2	-0.5	-4.5	0.3	2.7	2.1	-2.2	2.5	2.0
Hungary	-5.3	2.0	5.9	0.5	1.4	-10.3	-7.9	-0.6	4.1	-10.1	4.3	4.5
Poland	7.4	3.6	2.0	3.7	1.0	8.0	-9.2	0.9	5.5	-4.9	6.9	6.8
Romania	12.1	5.1	6.6	2.3	9.5	9.8	-4.6	3.7	4.1	6.3	8.1	8.8
Sweden	1.7	3.4	2.9	1.9	-0.4	-5.3	-1.1	5.1	1.8	-5.6	0.5	2.4
EU	-1.5	-1.1	2.3	5.8	0.2	0.7	-1.9	1.1	2.7	-1.5	0.8	3.3
United Kingdom	-3.2	3.7	-0.2	10.3	3.3	-4.5	2.5	1.2	1.6	0.8	-0.1	1.5
Japan	-5.4	2.3	0.4	0.0	-2.2	1.3	-1.1	1.0	1.2	-0.4	1.6	1.2
United States	-8.4	3.9	1.7	2.5	-4.6	0.9	5.4	1.1	1.5	5.0	1.4	4.1

Table 11: Investment in equipment, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	-1.8	1.9	1.4	5.5	2.6	8.7	**4.6**	**-1.0**	**1.1**	*0.8*	*3.6*	*3.8*
Germany	1.9	2.7	0.3	3.5	4.5	-0.8	**-5.5**	**-0.3**	**3.6**	*-6.2*	*0.9*	*3.7*
Estonia	-6.0	8.4	4.5	11.8	0.5	11.6	**-7.4**	**4.2**	**3.3**	*-15.0*	*-1.2*	*4.5*
Ireland	-1.7	9.3	2.5	14.6	24.4	0.1	**-7.2**	**0.5**	**0.6**	*0.7*	*1.2*	*1.5*
Greece	0.0	-7.5	2.4	23.8	16.1	1.7	**4.5**	**5.6**	**6.1**	*10.6*	*12.5*	*11.7*
Spain	-2.4	2.0	0.3	3.3	2.9	1.1	**2.8**	**5.5**	**2.7**	*1.1*	*4.2*	*4.6*
France	0.4	0.7	0.9	8.3	-1.4	3.4	**-4.4**	**-4.4**	**-3.4**	*-5.8*	*-5.0*	*-6.5*
Croatia	-3.5	2.4	5.7	8.8	15.3	10.5	**5.4**	**3.1**	**5.9**	*9.5*	*5.8*	*2.9*
Italy	-1.3	-2.9	1.5	17.4	3.7	2.4	**-2.6**	**0.9**	**1.1**	*-1.1*	*6.4*	*2.6*
Cyprus	8.9	:	13.9	-34.5	-11.6	100.9	**-3.7**	**2.6**	**2.6**	*-1.5*	*3.1*	*1.0*
Latvia	-12.3	4.5	6.8	21.8	-2.1	1.4	**-9.6**	**-5.4**	**2.2**	*-6.5*	*0.5*	*3.5*
Lithuania	-6.4	11.9	7.3	31.3	0.9	9.2	**-6.5**	**6.9**	**6.3**	*-11.5*	*4.1*	*5.1*
Luxembourg	1.9	6.6	-0.5	26.4	-27.0	-6.4	**-3.5**	**1.9**	**4.5**	*-5.5*	*6.6*	*1.7*
Malta	8.9	12.2	-8.9	64.4	60.6	-43.7	**-11.8**	**:**	**:**	*:*	*:*	*:*
Netherlands	1.3	3.5	2.2	1.5	7.0	3.0	**3.2**	**-4.1**	**1.6**	*0.4*	*2.5*	*1.1*
Austria	-0.4	2.6	2.1	9.2	-0.2	4.4	**-4.5**	**-3.5**	**2.9**	*-6.1*	*-2.6*	*0.0*
Portugal	1.9	-2.5	3.7	13.3	7.4	9.0	**6.1**	**1.6**	**3.9**	*1.7*	*7.0*	*7.3*
Slovakia	-0.9	8.2	-4.5	8.9	1.6	-1.1	**23.6**	**4.3**	**2.6**	*9.6*	*6.9*	*0.3*
Slovenia	-3.7	2.1	3.9	21.9	5.2	-0.5	**-3.3**	**-2.7**	**0.8**	*-0.9*	*2.4*	*3.4*
Finland	-1.8	3.0	3.9	6.0	3.9	-5.0	**-10.1**	**8.7**	**3.2**	*0.0*	*3.2*	*2.8*
Euro area	0.0	1.2	1.1	8.0	3.7	1.8	**-2.4**	**-0.3**	**1.6**	*-2.9*	*1.8*	*1.8*
Bulgaria	-8.3	8.8	2.8	-3.6	2.3	16.3	**1.5**	**4.4**	**3.0**	*-1.0*	*3.0*	*5.5*
Czechia	4.1	2.8	-0.3	11.6	12.3	3.8	**-3.0**	**0.5**	**-0.6**	*-0.1*	*1.3*	*3.0*
Denmark	-1.5	4.0	-0.2	14.9	-6.1	-9.7	**6.9**	**10.4**	**4.0**	*-2.3*	*1.3*	*3.6*
Hungary	-0.8	6.7	6.5	9.1	2.1	-8.0	**-18.2**	**-2.2**	**4.2**	*-10.5*	*2.5*	*3.3*
Poland	5.2	7.9	1.6	-3.3	2.0	20.9	**6.6**	**12.9**	**4.9**	*10.3*	*6.5*	*3.9*
Romania	2.2	2.8	-3.6	6.6	-5.4	26.0	**1.9**	**1.3**	**3.1**	*3.0*	*4.7*	*5.6*
Sweden	2.9	4.0	0.9	7.6	-0.7	5.5	**-1.7**	**-5.0**	**1.8**	*-2.8*	*1.1*	*5.7*
EU	0.3	1.8	1.0	7.6	3.3	2.9	**-2.0**	**0.5**	**1.9**	*-2.2*	*2.1*	*2.2*
United Kingdom	0.1	5.1	-1.6	6.2	16.0	11.0	**0.3**	**-2.6**	**1.3**	*0.1*	*-0.1*	*1.2*
Japan	-2.7	4.0	0.0	1.3	-0.6	0.9	**0.7**	**2.7**	**1.0**	*0.7*	*1.6*	*1.0*
United States	1.3	6.3	0.1	5.2	3.4	3.6	**3.2**	**0.5**	**0.6**	*3.8*	*4.6*	*4.1*

Table 12: Public investment (as a percentage of GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	2.1	2.4	2.6	2.8	2.7	2.8	**3.0**	**3.3**	**3.2**	*3.1*	*2.9*	*2.9*
Germany	2.4	2.4	2.7	2.9	2.8	2.8	**2.9**	**3.0**	**3.0**	*3.0*	*3.0*	*3.0*
Estonia	5.7	5.4	5.3	5.8	5.4	6.6	**6.1**	**7.2**	**7.1**	*7.3*	*8.1*	*8.5*
Ireland	4.2	2.1	2.1	2.0	2.0	2.3	**2.7**	**2.8**	**3.1**	*2.5*	*2.9*	*3.0*
Greece	5.2	3.2	3.4	3.6	3.7	3.9	**3.7**	**4.2**	**3.8**	*4.9*	*4.5*	*3.9*
Spain	4.7	2.8	2.2	2.7	2.7	3.0	**2.7**	**3.0**	**3.0**	*3.0*	*3.1*	*3.2*
France	4.6	4.4	4.0	4.1	4.2	4.2	**4.3**	**4.3**	**4.2**	*4.3*	*4.2*	*4.1*
Croatia	5.2	3.7	3.8	4.8	4.0	5.6	**5.1**	**5.4**	**5.2**	*5.7*	*5.9*	*5.8*
Italy	3.2	2.5	2.3	2.8	2.6	3.2	**3.5**	**3.8**	**3.9**	*3.5*	*3.8*	*3.7*
Cyprus	4.0	3.0	3.1	2.7	2.4	3.2	**3.0**	**3.2**	**3.2**	*2.9*	*2.9*	*2.7*
Latvia	5.5	5.1	5.1	5.6	4.5	5.6	**5.7**	**7.0**	**7.2**	*5.3*	*6.2*	*6.1*
Lithuania	4.9	4.1	3.5	3.2	3.2	4.2	**4.2**	**4.9**	**4.6**	*3.9*	*4.1*	*3.7*
Luxembourg	4.0	3.8	4.1	4.1	4.3	4.7	**4.5**	**4.7**	**4.6**	*4.7*	*4.9*	*4.7*
Malta	3.0	3.3	3.0	3.7	3.2	3.6	**3.3**	**3.8**	**3.9**	*4.1*	*3.8*	*3.8*
Netherlands	4.1	3.8	3.4	3.4	3.2	3.1	**3.2**	**3.2**	**3.3**	*3.1*	*3.1*	*3.2*
Austria	3.2	3.0	3.1	3.6	3.5	3.7	**3.9**	**3.9**	**4.0**	*3.7*	*3.8*	*3.8*
Portugal	3.9	2.5	1.9	2.6	2.4	2.6	**2.7**	**3.7**	**4.2**	*3.1*	*3.2*	*3.5*
Slovakia	3.7	4.2	3.5	3.0	3.1	3.5	**3.6**	**5.1**	**5.2**	*3.7*	*4.6*	*4.2*
Slovenia	4.8	4.5	3.6	4.7	5.5	5.3	**5.1**	**5.3**	**5.2**	*5.2*	*5.1*	*5.1*
Finland	3.6	4.0	4.4	4.2	4.1	4.1	**4.4**	**4.9**	**4.8**	*4.3*	*4.8*	*4.6*
Euro area	3.6	3.1	2.9	3.2	3.1	3.3	**3.4**	**3.5**	**3.6**	*3.5*	*3.5*	*3.5*
Bulgaria	4.9	4.5	2.9	2.7	2.4	3.8	**3.0**	**3.6**	**3.3**	*3.3*	*3.6*	*3.4*
Czechia	5.1	4.3	3.9	4.6	4.5	4.9	**4.7**	**4.9**	**4.6**	*4.7*	*4.9*	*4.6*
Denmark	3.1	3.6	3.5	3.2	3.0	3.1	**3.1**	**3.8**	**3.9**	*3.2*	*3.3*	*3.3*
Hungary	3.9	4.6	5.2	6.2	5.3	5.1	**4.2**	**4.2**	**4.2**	*4.4*	*4.8*	*5.0*
Poland	4.7	4.9	4.1	4.1	3.8	5.1	**4.9**	**5.1**	**5.2**	*5.0*	*5.0*	*5.2*
Romania	5.8	4.8	3.3	4.1	4.4	5.4	**5.7**	**6.1**	**6.5**	*5.7*	*6.1*	*6.6*
Sweden	4.3	4.6	5.0	5.0	5.1	5.3	**5.4**	**5.5**	**5.6**	*5.4*	*5.4*	*5.6*
EU	3.7	3.3	3.1	3.4	3.3	3.5	**3.6**	**3.8**	**3.8**	*3.7*	*3.8*	*3.8*
United Kingdom	3.0	2.7	2.8	3.1	3.1	3.2	**3.3**	**3.4**	**3.5**	*3.3*	*3.2*	*3.3*
Japan	3.7	3.8	3.9	4.2	3.9	3.9	**3.8**	**3.9**	**3.9**	*3.6*	*3.6*	*3.5*
United States	4.0	3.5	3.4	3.3	3.2	3.4	**3.5**	**3.5**	**3.5**	*3.5*	*3.5*	*3.4*

Table 13: Potential GDP, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.7	1.1	1.5	1.6	1.9	2.0	**1.7**	**1.4**	**1.3**	*1.7*	*1.6*	*1.4*
Germany	1.1	1.5	1.2	0.6	0.6	0.7	**0.5**	**0.3**	**0.3**	*0.6*	*0.5*	*0.5*
Estonia	2.4	1.8	3.3	2.6	0.9	1.0	**0.1**	**0.2**	**0.3**	*0.1*	*0.2*	*0.3*
Ireland	1.5	5.2	8.5	4.4	4.2	3.6	**2.6**	**2.8**	**2.5**	*2.6*	*2.9*	*2.7*
Greece	1.3	-2.4	-1.0	-0.6	0.3	0.7	**1.2**	**1.7**	**1.9**	*1.2*	*1.8*	*2.0*
Spain	2.6	0.0	0.6	0.9	1.8	2.1	**2.3**	**2.4**	**2.2**	*2.4*	*2.4*	*2.3*
France	1.5	1.0	0.8	1.2	1.2	1.1	**1.2**	**1.1**	**1.0**	*1.2*	*1.1*	*1.0*
Croatia	1.7	0.1	1.8	3.4	3.6	4.2	**4.3**	**4.0**	**3.6**	*4.2*	*3.6*	*3.3*
Italy	0.3	-0.3	0.2	0.1	1.2	1.0	**1.3**	**1.0**	**0.9**	*1.3*	*1.1*	*0.9*
Cyprus	3.3	-0.3	3.7	4.6	4.3	4.2	**3.9**	**3.6**	**3.1**	*4.0*	*3.6*	*3.2*
Latvia	2.7	0.9	2.5	2.9	1.6	2.1	**0.8**	**1.3**	**1.4**	*1.0*	*1.4*	*1.5*
Lithuania	3.9	2.0	3.5	4.1	3.4	3.2	**2.7**	**2.8**	**2.2**	*2.4*	*2.5*	*2.1*
Luxembourg	2.8	2.2	2.4	2.2	1.6	1.5	**1.1**	**1.2**	**1.3**	*1.9*	*1.9*	*1.9*
Malta	3.1	5.1	7.1	4.6	6.0	6.0	**5.3**	**4.6**	**4.5**	*5.4*	*4.7*	*4.6*
Netherlands	1.5	0.8	1.8	2.0	2.1	2.1	**1.9**	**1.6**	**1.5**	*1.9*	*1.7*	*1.5*
Austria	1.4	1.0	1.2	1.1	1.0	1.1	**0.3**	**0.2**	**0.4**	*0.7*	*0.7*	*0.8*
Portugal	0.3	-0.6	1.5	2.0	2.3	2.5	**2.4**	**2.2**	**2.0**	*2.3*	*2.1*	*1.9*
Slovakia	4.9	2.7	2.1	1.6	1.4	2.3	**2.8**	**2.1**	**2.0**	*2.3*	*2.3*	*2.2*
Slovenia	2.9	0.9	1.8	2.5	2.4	2.8	**2.3**	**2.3**	**2.3**	*2.5*	*2.5*	*2.5*
Finland	1.3	0.2	1.0	0.7	1.0	0.7	**0.6**	**0.5**	**0.5**	*0.5*	*0.7*	*0.5*
Euro area	1.3	0.8	1.2	1.0	1.3	1.3	**1.2**	**1.1**	**1.1**	*1.3*	*1.2*	*1.2*
Bulgaria	3.8	1.4	2.4	2.7	2.4	2.7	**3.3**	**2.9**	**2.5**	*3.2*	*2.8*	*2.4*
Czechia	3.3	1.5	2.4	0.7	1.4	2.0	**1.4**	**1.3**	**1.4**	*1.6*	*1.6*	*1.8*
Denmark	1.4	1.0	2.1	2.7	2.9	2.7	**2.5**	**2.3**	**2.1**	*2.1*	*1.9*	*1.7*
Hungary	1.4	0.9	3.2	3.2	2.6	1.9	**1.1**	**1.1**	**1.2**	*1.4*	*1.5*	*1.7*
Poland	4.0	3.6	3.7	3.4	4.2	3.0	**2.6**	**2.7**	**2.7**	*2.8*	*2.9*	*2.8*
Romania	4.8	1.7	4.4	2.0	1.8	2.8	**1.9**	**1.7**	**1.7**	*2.3*	*2.2*	*2.3*
Sweden	2.1	1.7	2.1	1.9	1.7	1.4	**1.3**	**1.3**	**1.4**	*1.2*	*1.4*	*1.4*
EU	1.5	1.0	1.4	1.2	1.5	1.5	**1.4**	**1.2**	**1.2**	*1.4*	*1.4*	*1.3*
United Kingdom	1.5	1.2	1.3	1.0	1.3	1.4	**1.4**	**1.4**	**1.4**	*1.4*	*1.4*	*1.4*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	1.7	1.6	2.3	2.2	2.2	2.4	**2.5**	**2.4**	**2.3**	*2.6*	*2.6*	*2.5*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	0.7	-0.6	-1.0	-1.0	1.2	0.4	**-0.2**	**-0.9**	**-1.3**	*-0.4*	*-0.7*	*-0.6*
Germany	-0.5	0.0	0.3	-0.4	0.3	-0.7	**-1.4**	**-1.7**	**-0.9**	*-1.6*	*-1.3*	*-0.6*
Estonia	0.3	-0.4	1.0	0.9	0.1	-3.9	**-4.3**	**-3.4**	**-1.5**	*-4.7*	*-3.8*	*-1.6*
Ireland	-0.9	0.3	-2.5	5.4	9.8	0.2	**-1.2**	**-0.6**	**-0.6**	*-2.3*	*-1.2*	*-0.4*
Greece	-0.6	-16.4	-10.7	-6.0	-0.9	0.7	**1.8**	**2.4**	**2.7**	*1.7*	*2.3*	*2.5*
Spain	-0.5	-7.8	-1.7	-4.0	0.1	0.6	**1.5**	**1.7**	**1.6**	*1.3*	*1.2*	*1.0*
France	0.2	-1.4	-1.0	-1.2	0.2	0.0	**0.0**	**-0.5**	**-0.2**	*-0.1*	*-0.3*	*0.0*
Croatia	3.2	-3.9	-0.8	0.0	3.5	2.6	**2.2**	**1.4**	**0.7**	*1.9*	*1.6*	*1.2*
Italy	0.7	-3.6	-2.9	-1.7	1.8	1.5	**1.0**	**0.6**	**0.7**	*0.7*	*0.7*	*1.0*
Cyprus	2.8	-6.1	-0.4	1.9	4.7	3.2	**2.8**	**2.2**	**1.7**	*2.6*	*1.9*	*1.2*
Latvia	0.5	-1.7	0.9	-0.3	-0.1	0.7	**-0.5**	**-1.3**	**-0.7**	*-0.6*	*-1.0*	*-0.5*
Lithuania	-0.1	-1.8	2.0	1.8	0.9	-1.8	**-1.7**	**-1.8**	**-0.9**	*-2.2*	*-1.8*	*-0.9*
Luxembourg	1.0	-1.9	-0.7	1.3	-1.4	-3.5	**-3.6**	**-3.1**	**-2.5**	*-3.7*	*-3.2*	*-2.9*
Malta	0.0	-0.3	0.4	0.2	-1.5	-0.8	**-0.1**	**-0.5**	**-1.0**	*-0.4*	*-0.7*	*-1.0*
Netherlands	-0.1	-2.0	-0.5	-0.6	2.2	0.2	**-0.7**	**-1.0**	**-1.2**	*-0.9*	*-1.0*	*-1.1*
Austria	0.1	-0.6	-0.4	-1.8	2.4	0.3	**-1.2**	**-1.7**	**-1.1**	*-1.4*	*-1.1*	*-0.5*
Portugal	-0.5	-2.9	-0.3	-3.4	1.0	1.1	**0.7**	**0.2**	**0.4**	*0.3*	*0.0*	*0.3*
Slovakia	2.3	-1.9	0.1	1.6	0.6	0.5	**-0.3**	**-0.8**	**-1.4**	*-0.8*	*-0.7*	*-0.4*
Slovenia	3.1	-6.0	-0.2	2.4	2.7	2.0	**1.3**	**1.0**	**1.2**	*1.1*	*1.2*	*1.3*
Finland	0.7	-2.1	-0.2	-0.3	-0.6	-2.2	**-2.9**	**-2.5**	**-1.7**	*-3.2*	*-2.4*	*-1.3*
Euro area	0.0	-2.3	-1.1	-1.1	1.0	0.1	**-0.3**	**-0.5**	**-0.2**	*-0.5*	*-0.4*	*0.0*
Bulgaria	1.4	-0.4	-0.9	0.4	2.0	1.2	**0.7**	**-0.1**	**-0.5**	*0.2*	*0.3*	*0.8*
Czechia	2.6	-2.2	0.8	-0.7	0.7	-1.4	**-1.7**	**-1.1**	**-0.5**	*-2.1*	*-1.3*	*-0.4*
Denmark	0.5	-3.0	-1.6	-0.3	-1.7	-1.9	**-0.8**	**0.4**	**0.3**	*-0.8*	*-0.1*	*0.0*
Hungary	-1.5	-2.7	1.6	0.8	2.4	-0.3	**-1.0**	**-1.2**	**0.0**	*-1.4*	*-1.1*	*0.3*
Poland	1.7	-0.8	0.2	0.6	1.6	-1.1	**-0.8**	**-0.3**	**0.0**	*-1.0*	*-0.4*	*0.0*
Romania	1.8	-1.8	-1.0	-2.3	-0.2	-0.6	**-1.7**	**-2.0**	**-1.5**	*-2.0*	*-1.7*	*-1.1*
Sweden	-0.1	-1.0	-0.4	0.4	0.1	-1.4	**-1.7**	**-1.9**	**-1.4**	*-2.3*	*-1.9*	*-0.7*
EU	0.1	-2.3	-1.0	-1.0	1.0	-0.1	**-0.4**	**-0.6**	**-0.3**	*-0.6*	*-0.5*	*-0.1*
United Kingdom	-1.0	-2.0	-1.1	-2.5	0.9	0.0	**-0.3**	**-0.6**	**-0.7**	*-0.5*	*-0.4*	*-0.5*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	-0.6	-0.9	-0.5	-0.2	0.1	0.6	**0.9**	**0.1**	**-0.6**	*0.5*	*0.1*	*-0.2*

[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, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.7	1.6	1.8	2.7	6.8	4.5	**1.9**	**2.8**	**2.1**	*2.7*	*2.4*	*2.1*
Germany	1.2	1.6	1.7	2.8	6.1	6.1	**3.1**	**2.4**	**2.2**	*2.9*	*2.4*	*2.2*
Estonia	5.8	3.6	3.1	5.4	15.8	8.1	**3.7**	**3.9**	**2.6**	*5.1*	*4.0*	*3.3*
Ireland	-0.7	2.9	0.8	1.1	6.8	3.6	**3.3**	**2.7**	**2.1**	*3.3*	*2.1*	*1.7*
Greece	2.9	-0.7	-0.1	1.4	6.5	5.9	**3.2**	**3.4**	**2.3**	*3.5*	*2.4*	*2.2*
Spain	2.1	0.1	1.1	2.6	4.7	6.2	**3.0**	**2.3**	**2.0**	*3.1*	*2.4*	*2.0*
France	1.6	0.9	1.3	1.2	3.2	5.3	**2.3**	**1.7**	**1.5**	*2.2*	*1.6*	*1.7*
Croatia	3.5	0.8	1.2	2.1	8.0	11.7	**5.5**	**4.3**	**2.6**	*6.6*	*3.2*	*2.1*
Italy	1.9	1.2	1.1	1.3	3.5	5.9	**2.1**	**2.2**	**1.7**	*1.6*	*1.9*	*1.8*
Cyprus	2.8	0.0	0.3	3.0	6.7	3.8	**3.5**	**2.6**	**2.3**	*3.5*	*2.3*	*2.2*
Latvia	6.8	2.3	2.7	3.3	9.8	6.0	**2.6**	**3.9**	**2.8**	*2.5*	*2.9*	*2.1*
Lithuania	4.7	1.9	2.6	6.0	16.1	9.0	**3.4**	**3.6**	**2.4**	*3.6*	*3.5*	*2.2*
Luxembourg	4.1	2.8	1.5	5.9	6.2	6.3	**5.2**	**2.5**	**2.8**	*3.9*	*3.0*	*2.9*
Malta	2.6	2.5	2.1	2.4	5.1	5.3	**3.2**	**2.5**	**2.2**	*2.6*	*2.5*	*2.1*
Netherlands	1.6	0.8	2.0	2.7	6.2	7.3	**5.2**	**3.7**	**2.6**	*5.0*	*3.0*	*2.3*
Austria	1.8	2.0	1.7	1.9	4.8	6.6	**3.1**	**3.5**	**2.2**	*4.2*	*2.3*	*1.9*
Portugal	1.9	0.9	1.8	2.0	5.3	7.0	**4.4**	**3.1**	**2.2**	*3.8*	*2.5*	*2.2*
Slovakia	1.3	0.6	1.5	2.2	7.5	10.1	**3.6**	**3.9**	**3.3**	*4.4*	*3.8*	*2.8*
Slovenia	2.6	0.9	1.6	2.7	6.5	10.1	**3.1**	**2.8**	**2.7**	*3.0*	*3.7*	*2.8*
Finland	1.8	2.3	1.2	2.5	6.2	3.5	**1.4**	**1.8**	**1.7**	*1.4*	*2.1*	*1.9*
Euro area	1.6	1.2	1.4	2.1	5.1	6.0	**2.9**	**2.5**	**2.0**	*2.9*	*2.2*	*2.0*
Bulgaria	6.1	2.3	4.4	7.0	15.9	8.0	**6.5**	**5.4**	**2.5**	*4.8*	*2.3*	*2.8*
Czechia	1.7	1.3	2.9	4.0	8.7	8.1	**4.0**	**2.9**	**2.8**	*4.0*	*2.4*	*2.4*
Denmark	2.5	1.1	1.2	2.8	9.1	-3.8	**1.8**	**1.7**	**1.9**	*1.6*	*2.2*	*1.9*
Hungary	4.1	2.8	4.3	6.2	14.2	15.2	**7.3**	**4.9**	**3.6**	*7.2*	*4.1*	*3.3*
Poland	3.0	1.5	2.1	5.3	10.7	9.9	**3.6**	**4.2**	**3.1**	*3.9*	*4.6*	*3.0*
Romania	10.4	2.8	4.9	5.6	12.1	12.8	**8.8**	**6.5**	**5.8**	*9.0*	*5.9*	*5.3*
Sweden	2.3	1.4	2.1	2.7	5.8	6.0	**2.8**	**1.7**	**1.7**	*2.3*	*1.4*	*1.3*
EU	1.9	1.2	1.6	2.4	5.8	6.1	**3.1**	**2.7**	**2.2**	*3.1*	*2.4*	*2.1*
United Kingdom	2.4	1.6	2.6	0.1	5.4	6.9	**4.0**	**3.0**	**1.9**	*2.7*	*2.0*	*1.8*
Japan	-1.0	0.2	0.4	-0.2	0.4	4.1	**2.9**	**2.0**	**1.9**	*2.8*	*1.6*	*1.3*
United States	1.9	1.8	1.7	4.6	7.1	3.6	**2.4**	**2.7**	**2.1**	*2.4*	*2.1*	*2.0*

Table 16: Price deflator of private consumption (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.9	1.5	1.6	2.7	10.2	6.0	**1.6**	**2.3**	**1.9**	*2.2*	*2.1*	*1.8*
Germany	1.3	1.3	1.2	2.9	6.8	6.7	**2.7**	**1.9**	**2.0**	*2.7*	*2.6*	*2.6*
Estonia	4.8	2.7	2.2	4.1	17.5	8.8	**3.2**	**3.8**	**1.8**	*3.1*	*3.6*	*2.5*
Ireland	-0.2	1.2	0.9	2.8	7.5	8.6	**4.3**	**2.0**	**1.7**	*3.8*	*2.2*	*1.9*
Greece	2.9	-0.3	-0.3	1.0	5.8	4.6	**3.6**	**3.1**	**2.3**	*2.7*	*2.4*	*2.3*
Spain	2.3	1.1	0.9	2.2	6.5	5.4	**4.0**	**2.4**	**2.0**	*2.8*	*2.2*	*1.9*
France	1.3	0.8	0.9	1.4	4.8	7.0	**2.0**	**0.9**	**1.3**	*2.5*	*1.6*	*1.8*
Croatia	3.3	1.3	0.6	2.6	10.6	8.7	**3.2**	**2.8**	**2.0**	*2.7*	*2.4*	*2.0*
Italy	1.9	1.4	0.9	1.5	6.8	5.0	**1.4**	**1.6**	**1.3**	*1.1*	*1.7*	*1.6*
Cyprus	3.0	0.4	-0.1	1.3	6.2	3.7	**1.8**	**1.6**	**1.5**	*2.2*	*1.9*	*1.7*
Latvia	6.3	1.5	1.9	2.6	13.8	9.0	**3.4**	**3.0**	**1.7**	*1.2*	*2.2*	*2.2*
Lithuania	5.4	1.5	2.2	4.6	18.6	9.0	**0.8**	**2.6**	**1.2**	*0.9*	*1.7*	*1.6*
Luxembourg	1.7	1.6	1.4	1.6	5.5	4.7	**3.2**	**2.4**	**2.0**	*2.2*	*2.7*	*2.0*
Malta	2.4	1.6	1.2	1.1	5.3	6.3	**3.2**	**2.2**	**2.0**	*3.0*	*2.2*	*2.0*
Netherlands	1.5	1.4	1.8	4.4	7.5	6.9	**2.6**	**2.3**	**1.6**	*3.3*	*2.5*	*2.1*
Austria	1.7	2.1	1.6	2.1	7.7	8.4	**3.2**	**2.9**	**2.1**	*3.4*	*2.5*	*2.0*
Portugal	1.9	1.1	1.1	2.0	7.3	4.4	**2.6**	**2.1**	**2.0**	*2.7*	*2.2*	*2.1*
Slovakia	2.6	1.6	1.4	3.2	11.8	10.3	**3.4**	**4.0**	**2.7**	*2.8*	*4.3*	*2.6*
Slovenia	2.7	0.9	0.8	3.4	9.9	7.5	**2.2**	**2.1**	**1.9**	*2.1*	*3.3*	*2.1*
Finland	2.0	2.1	0.8	2.2	6.5	4.3	**2.1**	**2.0**	**1.6**	*1.2*	*2.0*	*1.8*
Euro area	1.7	1.2	1.1	2.3	6.7	6.3	**2.5**	**1.9**	**1.7**	*2.5*	*2.2*	*2.1*
Bulgaria	3.9	1.8	2.0	6.0	16.0	8.1	**4.9**	**3.5**	**2.5**	*5.0*	*2.0*	*3.0*
Czechia	2.5	1.1	2.6	4.2	14.3	8.1	**3.0**	**2.4**	**2.0**	*3.0*	*2.6*	*2.2*
Denmark	2.2	1.2	0.5	2.0	7.1	2.9	**1.6**	**1.8**	**1.6**	*1.8*	*2.0*	*1.7*
Hungary	4.6	2.3	3.0	5.9	14.8	14.3	**5.5**	**4.1**	**3.3**	*4.2*	*3.6*	*3.2*
Poland	2.7	1.5	1.6	5.6	14.1	9.5	**3.4**	**3.6**	**3.0**	*3.8*	*4.6*	*2.9*
Romania	7.1	2.4	3.0	4.6	13.9	9.8	**6.2**	**5.8**	**4.7**	*5.3*	*4.6*	*4.3*
Sweden	1.6	0.9	1.6	2.2	6.7	6.5	**2.8**	**2.0**	**1.7**	*2.4*	*1.4*	*1.6*
EU	1.8	1.2	1.2	2.5	7.4	6.6	**2.7**	**2.1**	**1.9**	*2.6*	*2.3*	*2.2*
United Kingdom	2.1	1.7	1.4	2.5	8.1	6.8	**3.0**	**2.5**	**1.9**	*2.3*	*2.1*	*1.9*
Japan	-0.7	0.3	0.3	0.6	2.9	3.0	**2.3**	**1.9**	**1.7**	*2.5*	*1.8*	*1.6*
United States	2.0	1.6	1.5	4.1	6.6	3.8	**2.5**	**2.7**	**2.2**	*2.5*	*2.0*	*2.0*

Table 17a: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	2.2	1.7	1.6	3.2	10.3	2.3	**4.3**	**2.8**	**1.8**	*4.4*	*2.9*	*1.9*
Germany	1.6	1.5	1.1	3.2	8.7	6.0	**2.5**	**2.4**	**1.9**	*2.4*	*2.1*	*1.9*
Estonia	4.9	2.6	1.9	4.5	19.4	9.1	**3.7**	**3.8**	**2.3**	*3.6*	*3.6*	*2.4*
Ireland	1.1	0.8	0.2	2.4	8.1	5.2	**1.3**	**1.6**	**1.4**	*1.4*	*1.9*	*1.8*
Greece	3.3	0.2	0.2	0.6	9.3	4.2	**3.0**	**2.8**	**2.3**	*3.0*	*2.4*	*1.9*
Spain	2.5	1.2	0.8	3.0	8.3	3.4	**2.9**	**2.3**	**1.9**	*2.8*	*2.2*	*2.0*
France	1.7	1.2	1.1	2.1	5.9	5.7	**2.3**	**0.9**	**1.2**	*2.4*	*1.9*	*1.8*
Croatia	3.0	1.6	0.6	2.7	10.7	8.4	**4.0**	**3.4**	**2.0**	*4.0*	*3.4*	*2.0*
Italy	2.0	1.6	0.6	1.9	8.7	5.9	**1.1**	**1.8**	**1.5**	*1.1*	*1.9*	*1.7*
Cyprus	2.3	1.0	-0.1	2.3	8.1	3.9	**2.3**	**2.0**	**2.0**	*2.2*	*2.1*	*2.0*
Latvia	6.8	1.5	1.7	3.2	17.2	9.1	**1.3**	**3.0**	**1.7**	*1.2*	*2.2*	*2.2*
Lithuania	5.2	1.6	2.0	4.6	18.9	8.7	**0.9**	**2.6**	**1.2**	*0.9*	*1.7*	*1.6*
Luxembourg	2.5	1.8	1.2	3.5	8.2	2.9	**2.3**	**2.1**	**1.8**	*2.3*	*2.4*	*1.8*
Malta	2.4	1.7	1.2	0.7	6.1	5.6	**2.4**	**2.2**	**2.1**	*2.5*	*2.2*	*2.0*
Netherlands	1.5	1.7	1.4	2.8	11.6	4.1	**3.2**	**3.0**	**2.0**	*3.2*	*2.4*	*1.9*
Austria	1.8	2.1	1.6	2.8	8.6	7.7	**2.9**	**2.9**	**2.1**	*2.9*	*2.1*	*1.7*
Portugal	1.7	1.4	0.7	0.9	8.1	5.3	**2.7**	**2.1**	**2.0**	*2.6*	*2.1*	*1.9*
Slovakia	2.3	1.8	1.6	2.8	12.1	11.0	**3.2**	**4.0**	**2.9**	*3.1*	*5.1*	*3.0*
Slovenia	3.0	1.3	1.0	2.0	9.3	7.2	**2.0**	**2.1**	**1.9**	*2.1*	*3.2*	*2.1*
Finland	2.0	2.0	0.8	2.1	7.2	4.3	**1.0**	**1.7**	**1.5**	*1.0*	*2.0*	*1.8*
Euro area	1.9	1.4	1.0	2.6	8.4	5.4	**2.4**	**2.1**	**1.7**	*2.4*	*2.1*	*1.9*
Bulgaria	6.5	0.7	1.2	2.8	13.0	8.6	**2.6**	**3.6**	**1.8**	*2.5*	*2.3*	*2.9*
Czechia	2.6	1.6	2.2	3.3	14.8	12.0	**2.7**	**2.2**	**2.0**	*2.7*	*2.4*	*2.0*
Denmark	2.1	1.2	0.6	1.9	8.5	3.4	**1.3**	**1.6**	**1.5**	*1.3*	*1.9*	*1.7*
Hungary	5.3	2.3	2.5	5.2	15.3	17.0	**3.7**	**4.1**	**3.3**	*3.8*	*3.6*	*3.2*
Poland	2.9	1.6	1.7	5.2	13.2	10.9	**3.7**	**3.6**	**2.8**	*3.8*	*4.7*	*3.0*
Romania	6.2	2.7	2.1	4.1	12.0	9.7	**5.8**	**5.1**	**3.9**	*5.5*	*3.9*	*3.6*
Sweden	2.1	0.7	1.5	2.7	8.1	5.9	**2.0**	**2.2**	**1.6**	*1.9*	*1.5*	*1.8*
EU	2.2	1.5	1.1	2.9	9.2	6.4	**2.6**	**2.3**	**1.9**	*2.6*	*2.4*	*2.0*
United Kingdom	2.6	2.1	1.7	2.5	7.9	6.8	**3.3**	**3.6**	**2.6**	*3.1*	*2.4*	*2.0*
Japan	-0.1	0.7	0.4	-0.2	2.5	3.3	**2.7**	**2.6**	**2.3**	*2.5*	*1.9*	*1.6*
United States	2.2	1.7	1.8	4.7	8.0	4.1	**2.9**	**3.0**	**2.3**	*2.9*	*2.0*	*2.0*

Table 17b: All-items HICP, excluding energy, food, alcohol and tobacco (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.6	1.6	1.5	1.3	4.0	6.0	**3.4**	**2.1**	**1.8**	*3.3*	*2.4*	*2.0*
Germany	1.2	1.3	1.1	2.2	3.9	5.1	**3.2**	**2.7**	**2.1**	*3.2*	*2.7*	*2.1*
Estonia	3.4	1.9	1.5	2.8	10.3	8.7	**5.1**	**4.5**	**2.5**	*4.8*	*4.5*	*3.0*
Ireland	0.6	0.6	0.4	1.7	4.6	4.4	**2.3**	**1.7**	**1.6**	*2.3*	*2.2*	*2.0*
Greece	2.7	-0.7	0.2	-1.1	4.6	5.3	**3.6**	**3.5**	**2.6**	*3.4*	*2.7*	*2.0*
Spain	1.9	0.8	0.9	0.6	3.8	4.1	**2.8**	**2.1**	**1.9**	*2.9*	*2.3*	*2.0*
France	1.4	1.0	0.7	1.3	3.4	4.0	**2.3**	**1.7**	**1.4**	*2.3*	*2.2*	*2.1*
Croatia	2.5	0.6	0.7	1.3	7.6	8.8	**4.8**	**3.4**	**2.4**	*4.7*	*2.9*	*2.2*
Italy	1.8	1.3	0.6	0.8	3.3	4.5	**2.2**	**2.0**	**1.8**	*2.3*	*2.0*	*1.8*
Cyprus	1.3	0.4	0.0	1.3	5.0	3.8	**2.6**	**2.4**	**2.1**	*2.6*	*2.5*	*2.4*
Latvia	3.9	0.6	1.6	1.9	7.6	8.4	**3.7**	**3.1**	**2.4**	*3.7*	*2.7*	*2.2*
Lithuania	2.5	1.3	2.2	3.4	10.5	9.6	**3.2**	**3.0**	**2.7**	*3.3*	*2.3*	*2.1*
Luxembourg	2.0	1.9	1.3	1.5	4.2	3.9	**2.5**	**2.0**	**1.8**	*2.6*	*2.7*	*2.1*
Malta	1.4	1.3	1.1	0.7	5.8	4.9	**2.1**	**2.0**	**1.9**	*2.1*	*1.9*	*1.8*
Netherlands	1.1	1.6	1.2	1.8	4.8	6.4	**3.2**	**2.8**	**2.0**	*3.3*	*2.8*	*2.1*
Austria	1.6	2.1	1.8	2.3	5.1	7.3	**3.9**	**2.9**	**2.4**	*3.9*	*2.3*	*1.8*
Portugal	1.3	0.8	0.6	0.2	5.0	5.4	**2.7**	**2.5**	**2.3**	*2.6*	*2.3*	*2.2*
Slovakia	1.7	1.5	1.7	3.3	8.2	9.5	**4.3**	**5.2**	**3.0**	*4.2*	*4.2*	*2.9*
Slovenia	1.8	0.4	1.0	0.9	5.9	6.7	**2.9**	**2.2**	**2.2**	*2.9*	*3.2*	*2.8*
Finland	1.6	1.6	0.6	1.2	3.6	4.1	**2.2**	**1.9**	**1.5**	*2.2*	*2.6*	*2.1*
Euro area	1.5	1.2	0.9	1.5	4.0	5.0	**2.8**	**2.4**	**1.9**	*2.9*	*2.4*	*2.0*
Bulgaria	5.5	-0.1	0.7	1.4	7.6	8.9	**3.1**	**3.6**	**1.8**	*2.9*	*2.4*	*3.0*
Czechia	1.4	0.6	2.0	3.6	12.0	9.3	**4.1**	**2.4**	**2.2**	*4.2*	*3.0*	*2.3*
Denmark	1.5	1.1	0.6	0.7	4.3	4.6	**1.3**	**1.3**	**1.4**	*1.4*	*1.7*	*1.6*
Hungary	3.5	2.1	2.0	3.5	10.7	14.0	**5.9**	**4.9**	**3.7**	*6.0*	*4.0*	*3.4*
Poland	1.5	1.1	1.5	4.8	9.8	9.3	**3.9**	**3.2**	**2.9**	*4.0*	*3.4*	*3.2*
Romania	4.8	2.6	1.6	2.6	6.0	9.7	**8.4**	**5.4**	**4.3**	*8.3*	*4.7*	*4.1*
Sweden	1.4	0.6	1.3	1.8	4.8	6.6	**3.2**	**2.1**	**1.6**	*3.1*	*1.8*	*1.4*
EU	1.6	1.2	1.0	1.8	4.7	5.7	**3.1**	**2.5**	**2.0**	*3.2*	*2.6*	*2.2*
United Kingdom	1.8	1.9	1.8	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
United States	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2024-26) 30.04.2025

	2024/1	2024/2	2024/3	2024/4	2025/1	2025/2	2025/3	2025/4	2026/1	2026/2	2026/3	2026/4
Belgium	3.0	5.1	4.7	4.6	4.1	2.8	2.2	2.0	1.9	2.0	1.8	1.6
Germany	2.7	2.6	2.2	2.5	2.6	2.5	2.3	2.0	2.1	1.8	1.9	1.9
Estonia	4.5	3.0	3.4	4.1	4.4	4.0	3.5	3.2	2.4	2.3	2.2	2.3
Ireland	2.2	1.7	0.9	0.5	1.6	1.4	1.6	2.0	1.7	1.4	1.2	1.2
Greece	3.2	2.7	3.1	3.0	3.1	3.3	2.6	2.4	2.1	2.2	2.3	2.4
Spain	3.2	3.6	2.3	2.4	2.7	2.2	2.1	2.0	2.0	1.9	1.9	1.8
France	3.0	2.5	2.1	1.7	1.2	0.8	0.8	0.8	0.9	1.2	1.3	1.3
Croatia	4.8	4.2	3.1	4.0	4.7	3.7	2.9	2.4	1.8	2.2	2.2	1.8
Italy	1.0	0.9	1.2	1.3	1.8	2.0	1.7	1.5	1.1	1.4	1.7	1.7
Cyprus	2.0	2.7	2.1	2.3	2.4	1.9	1.9	1.9	1.9	1.9	2.0	2.0
Latvia	0.9	0.9	1.1	2.6	3.4	3.0	3.0	2.5	1.5	1.6	1.8	1.8
Lithuania	0.9	0.8	0.8	1.0	3.4	1.9	2.7	2.6	0.7	1.5	1.1	1.4
Luxembourg	3.1	3.0	1.7	1.2	1.9	2.4	2.2	1.9	1.8	1.8	1.8	1.8
Malta	3.1	2.3	2.3	2.1	2.0	2.2	2.2	2.2	2.2	2.1	2.0	2.0
Netherlands	3.0	2.9	3.4	3.7	3.3	3.3	2.8	2.4	2.0	2.0	1.9	1.9
Austria	4.1	3.3	2.4	2.0	3.3	2.7	2.8	2.8	1.6	2.2	2.3	2.2
Portugal	2.5	3.1	2.3	2.8	2.3	2.1	2.1	2.0	2.0	2.0	2.0	2.0
Slovakia	3.6	2.5	3.1	3.5	4.2	4.3	4.0	3.6	2.8	2.9	2.9	2.9
Slovenia	3.4	2.4	1.1	1.2	2.1	2.0	2.0	2.1	2.2	2.0	1.7	1.6
Finland	0.9	0.5	0.9	1.6	1.7	1.7	1.7	1.6	1.6	1.4	1.4	1.4
Euro area	2.6	2.5	2.2	2.2	2.3	2.1	2.0	1.8	1.6	1.7	1.8	1.7
Bulgaria	3.5	2.7	2.2	2.0	3.9	3.9	3.6	3.1	1.5	1.8	2.0	2.1
Czechia	2.4	2.7	2.6	3.1	2.8	2.3	1.8	1.9	2.1	2.0	2.0	2.2
Denmark	0.8	1.5	1.2	1.7	1.6	1.9	1.3	1.4	1.3	1.7	1.4	1.6
Hungary	3.6	3.7	3.5	4.0	5.4	3.7	3.7	3.7	2.5	3.8	3.5	3.2
Poland	3.6	2.9	4.1	4.0	4.4	4.0	3.2	2.9	2.8	2.8	2.7	2.8
Romania	7.1	5.8	5.3	5.3	5.2	4.9	5.4	4.8	4.3	4.0	3.7	3.5
Sweden	2.8	2.1	1.4	1.8	2.3	2.3	2.3	2.0	1.7	1.5	1.5	1.5
EU	2.8	2.6	2.4	2.5	2.7	2.4	2.2	2.0	1.8	1.9	1.9	1.9
United Kingdom	3.9	2.9	2.9	3.4	3.8	3.6	3.5	3.4	3.0	2.8	2.3	2.3
Japan	2.5	2.7	2.8	2.9	2.7	2.6	2.7	2.5	3.1	2.6	2.1	1.5
United States	3.2	3.2	2.7	2.7	2.7	3.0	3.3	3.0	2.6	2.2	2.1	2.1

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	1.2	0.4	0.4	8.9	13.5	-0.6	**-0.5**	**1.1**	**1.1**	*0.8*	*1.5*	*1.8*
Germany	0.6	0.8	0.2	4.7	12.7	1.5	**0.3**	**0.9**	**-0.4**	*0.2*	*1.3*	*1.4*
Estonia	3.6	0.3	0.9	10.4	23.9	1.2	**0.9**	**1.6**	**1.5**	*0.3*	*1.3*	*2.1*
Ireland	0.0	1.6	-3.0	-2.3	3.1	0.0	**0.7**	**0.6**	**0.8**	*1.4*	*1.2*	*1.0*
Greece	2.7	-0.9	-1.4	14.5	32.0	-8.7	**-0.4**	**0.5**	**0.9**	*0.4*	*0.4*	*2.1*
Spain	1.9	0.9	0.5	9.0	18.3	0.7	**0.0**	**0.7**	**0.3**	*1.7*	*1.5*	*1.2*
France	0.9	0.9	-0.1	6.4	17.9	-2.4	**-2.4**	**1.5**	**1.0**	*-3.6*	*1.2*	*1.5*
Croatia	2.7	1.4	-1.0	6.8	12.2	2.9	**-0.6**	**0.5**	**0.7**	*-0.4*	*1.5*	*1.9*
Italy	1.5	1.0	0.7	5.3	12.4	1.7	**-0.3**	**1.5**	**1.5**	*-0.1*	*2.0*	*1.7*
Cyprus	2.6	1.2	0.0	2.3	2.9	1.9	**1.0**	**0.6**	**1.1**	*0.6*	*1.9*	*1.5*
Latvia	5.6	3.3	1.6	9.7	17.6	-4.9	**-0.9**	**1.6**	**2.2**	*-0.6*	*2.0*	*2.0*
Lithuania	3.3	0.8	0.0	6.4	12.2	-3.0	**0.1**	**1.4**	**1.2**	*1.6*	*2.0*	*2.0*
Luxembourg	3.6	1.5	0.8	9.7	14.0	0.3	**-2.4**	**-0.5**	**1.8**	*-2.5*	*2.3*	*3.3*
Malta	1.8	1.7	1.0	1.0	7.7	4.9	**3.3**	**2.1**	**2.0**	*2.8*	*2.6*	*2.1*
Netherlands	1.3	0.4	-0.6	11.4	23.9	-3.1	**-0.8**	**0.2**	**0.7**	*-0.2*	*2.8*	*1.3*
Austria	1.3	0.4	0.0	6.7	12.1	-0.1	**1.4**	**1.2**	**1.2**	*0.7*	*1.5*	*1.4*
Portugal	1.5	0.2	-0.1	8.3	17.0	-0.6	**-1.5**	**0.1**	**0.3**	*-0.8*	*1.9*	*1.6*
Slovakia	0.1	-0.5	-0.2	5.4	15.8	4.1	**-2.1**	**3.3**	**3.3**	*-2.1*	*3.5*	*3.1*
Slovenia	1.1	0.5	0.1	5.0	17.5	0.5	**-1.6**	**0.6**	**1.0**	*-0.6*	*1.1*	*1.0*
Finland	-0.2	0.1	-0.2	12.9	24.1	-7.2	**-3.6**	**2.0**	**1.8**	*-0.5*	*1.0*	*1.2*
Euro area	1.0	0.8	-0.1	6.4	15.0	-0.3	**-0.5**	**1.0**	**0.7**	*-0.2*	*1.6*	*1.5*
Bulgaria	9.1	0.7	1.5	16.8	26.1	-5.9	**-1.4**	**-0.5**	**1.0**	*-1.5*	*1.3*	*1.8*
Czechia	-1.5	1.5	-0.4	4.9	9.5	-0.6	**3.6**	**1.8**	**1.8**	*4.2*	*2.8*	*2.9*
Denmark	2.3	1.2	0.1	1.7	12.8	-0.7	**-2.2**	**1.5**	**0.5**	*-0.9*	*1.9*	*1.2*
Hungary	1.2	1.4	2.0	7.7	22.8	-0.2	**1.9**	**1.3**	**1.1**	*1.1*	*2.8*	*2.0*
Poland	3.4	2.8	1.9	10.1	19.7	-4.7	**-8.2**	**-1.0**	**0.7**	*-6.9*	*1.4*	*1.4*
Romania	8.4	0.9	0.3	11.2	17.0	2.1	**0.5**	**2.9**	**3.4**	*1.7*	*3.5*	*3.8*
Sweden	2.0	-0.7	1.4	5.3	18.4	5.0	**-1.1**	**-2.5**	**0.1**	*-1.2*	*1.1*	*1.4*
EU	1.2	0.8	0.1	6.5	15.4	-0.4	**-0.8**	**0.8**	**0.7**	*-0.5*	*1.7*	*1.6*
United Kingdom	3.8	-0.8	2.9	4.8	17.1	0.4	**0.4**	**1.6**	**0.9**	*1.1*	*1.3*	0.9
Japan	-2.6	1.7	-2.1	7.1	14.5	4.0	**6.8**	**0.4**	**1.0**	*7.5*	*1.4*	0.4
United States	1.8	-0.4	-0.7	14.1	11.6	-4.3	**-0.4**	**1.0**	**1.3**	*-0.2*	*1.1*	*0.8*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	1.7	0.4	0.2	10.8	19.5	-1.6	**-1.0**	**-0.1**	**0.8**	*-0.9*	*1.2*	*1.6*
Germany	0.5	0.1	-0.5	8.9	18.2	-3.5	**-1.4**	**-1.6**	**-1.6**	*-1.3*	*1.5*	*1.8*
Estonia	3.1	0.9	0.2	9.7	24.0	-2.9	**0.3**	**1.6**	**1.0**	*0.1*	*1.2*	*1.9*
Ireland	1.1	-0.2	-1.6	7.4	7.0	0.3	**-3.1**	**-1.2**	**-0.2**	*-2.1*	*1.0*	*1.0*
Greece	3.2	-1.7	-0.1	15.0	25.3	-12.0	**-2.6**	**-0.2**	**0.6**	*-1.1*	*0.4*	*2.0*
Spain	1.7	1.5	0.2	8.2	25.3	-5.7	**-0.4**	**0.3**	**0.2**	*0.7*	*1.0*	*1.1*
France	0.9	0.0	-0.3	8.8	22.2	-3.8	**-3.0**	**0.2**	**1.0**	*-3.0*	*1.6*	*1.5*
Croatia	1.8	1.3	0.2	7.4	16.1	0.8	**-0.5**	**0.1**	**0.5**	*-0.6*	*1.3*	*1.8*
Italy	2.2	0.2	-0.6	12.2	25.2	-8.2	**-3.2**	**-1.0**	**0.1**	*-2.5*	*2.2*	*1.7*
Cyprus	2.3	-0.4	0.6	2.6	5.1	0.8	**0.5**	**1.2**	**1.3**	*0.6*	*1.8*	*1.3*
Latvia	5.0	2.3	-0.9	9.5	21.6	-7.5	**-1.8**	**1.5**	**0.9**	*0.2*	*1.6*	*2.2*
Lithuania	4.1	0.5	-0.8	13.7	26.2	-8.1	**-2.7**	**1.3**	**0.9**	*-0.7*	*1.3*	*1.8*
Luxembourg	2.3	0.8	0.4	8.4	21.6	-0.7	**-1.6**	**-1.3**	**0.5**	*0.1*	*0.7*	*1.7*
Malta	1.5	1.3	0.2	0.8	6.3	4.2	**3.1**	**2.0**	**2.0**	*2.8*	*2.2*	*2.2*
Netherlands	1.7	0.2	-1.1	12.8	29.1	-6.4	**-3.3**	**-1.3**	**-0.8**	*-2.5*	*2.2*	*1.2*
Austria	1.7	0.5	0.2	8.1	20.3	0.9	**-0.9**	**-1.2**	**1.0**	*-0.6*	*1.3*	*1.3*
Portugal	0.9	-0.5	-0.4	8.2	20.5	-3.9	**-3.8**	**-1.1**	**0.3**	*-2.6*	*1.8*	*1.6*
Slovakia	1.4	0.2	0.4	6.5	21.1	3.7	**-3.5**	**3.1**	**2.9**	*-3.9*	*4.2*	*3.1*
Slovenia	1.6	0.4	-0.1	7.4	21.0	-3.3	**-2.5**	**0.4**	**0.6**	*-1.3*	*1.0*	*0.9*
Finland	0.8	-0.5	-0.4	12.4	23.3	-4.9	**-1.2**	**1.5**	**1.3**	*0.0*	*1.3*	*1.9*
Euro area	1.3	0.3	-0.4	9.8	21.8	-4.3	**-2.1**	**-0.6**	**-0.1**	*-1.6*	*1.6*	*1.6*
Bulgaria	4.8	0.7	-0.7	16.4	23.2	-3.6	**-0.6**	**-0.1**	**0.3**	*0.0*	*2.3*	*2.8*
Czechia	-0.7	1.3	-0.8	5.0	14.3	-3.8	**2.3**	**0.9**	**1.0**	*3.0*	*3.0*	*2.7*
Denmark	1.1	0.7	-0.3	6.7	22.1	-2.4	**-1.2**	**1.0**	**0.6**	*-0.3*	*1.3*	*1.6*
Hungary	1.6	1.5	1.4	11.9	31.8	-6.1	**1.3**	**0.7**	**0.9**	*0.5*	*2.8*	*1.8*
Poland	2.8	2.0	1.0	12.3	24.3	-6.3	**-6.9**	**-4.0**	**0.7**	*-6.1*	*1.0*	*1.9*
Romania	3.7	0.9	0.0	10.2	18.7	0.7	**-0.8**	**1.5**	**1.6**	*-1.9*	*1.3*	*1.8*
Sweden	1.3	-1.1	1.0	5.1	24.0	4.3	**-1.6**	**-3.5**	**-0.1**	*-0.9*	*1.0*	*1.6*
EU	1.4	0.4	-0.2	9.7	21.9	-4.0	**-2.1**	**-0.7**	**0.1**	*-1.7*	*1.6*	*1.6*
United Kingdom	2.8	-1.1	2.4	4.7	19.9	-0.4	**-2.9**	**0.2**	**1.1**	*-0.7*	*1.9*	*0.9*
Japan	0.8	2.5	-3.0	17.8	32.1	-2.3	**2.9**	**0.6**	**1.4**	*4.9*	*1.5*	*0.8*
United States	2.1	-1.0	-0.9	7.6	7.5	-3.2	**0.5**	**0.8**	**1.5**	*0.5*	*0.9*	*0.6*

Table 21: Terms of trade of goods (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	-0.5	0.0	0.1	-1.7	-5.0	1.0	**0.5**	**1.1**	**0.3**	*1.7*	*0.3*	*0.2*
Germany	0.1	0.7	0.7	-3.9	-4.7	5.2	**1.7**	**2.5**	**1.2**	*1.4*	*-0.2*	*-0.4*
Estonia	0.4	-0.6	0.6	0.6	-0.1	4.2	**0.6**	**0.0**	**0.5**	*0.2*	*0.1*	*0.2*
Ireland	-1.1	1.8	-1.4	-9.1	-3.7	-0.3	**4.0**	**1.8**	**1.0**	*3.6*	*0.2*	*0.0*
Greece	-0.5	0.8	-1.3	-0.4	5.3	3.8	**2.3**	**0.7**	**0.3**	*1.5*	*0.0*	*0.2*
Spain	0.2	-0.6	0.3	0.7	-5.6	6.8	**0.4**	**0.4**	**0.1**	*1.0*	*0.5*	*0.1*
France	0.1	0.9	0.1	-2.3	-3.5	1.5	**0.6**	**1.3**	**0.0**	*-0.6*	*-0.4*	*0.0*
Croatia	0.9	0.0	-1.2	-0.5	-3.3	2.0	**-0.1**	**0.4**	**0.2**	*0.2*	*0.2*	*0.1*
Italy	-0.7	0.9	1.3	-6.1	-10.2	10.8	**3.0**	**2.5**	**1.4**	*2.5*	*-0.2*	*0.0*
Cyprus	0.3	1.6	-0.6	-0.3	-2.1	1.1	**0.5**	**-0.6**	**-0.2**	*0.0*	*0.1*	*0.2*
Latvia	0.6	0.9	2.6	0.2	-3.3	2.9	**0.9**	**0.1**	**1.3**	*-0.8*	*0.4*	*-0.2*
Lithuania	-0.8	0.3	0.9	-6.4	-11.1	5.4	**2.9**	**0.1**	**0.3**	*2.3*	*0.7*	*0.2*
Luxembourg	1.3	0.7	0.4	1.2	-6.3	1.0	**-0.9**	**0.8**	**1.3**	*-2.6*	*1.6*	*1.6*
Malta	0.3	0.4	0.8	0.2	1.3	0.7	**0.2**	**0.1**	**0.0**	*0.0*	*0.3*	*0.0*
Netherlands	-0.4	0.2	0.5	-1.2	-4.1	3.6	**2.5**	**1.4**	**1.6**	*2.4*	*0.5*	*0.1*
Austria	-0.4	0.0	-0.2	-1.3	-6.8	-1.0	**2.3**	**2.4**	**0.2**	*1.3*	*0.2*	*0.1*
Portugal	0.6	0.8	0.2	0.1	-2.9	3.4	**2.4**	**1.2**	**0.0**	*1.8*	*0.1*	*0.0*
Slovakia	-1.4	-0.7	-0.6	-1.1	-4.4	0.5	**1.5**	**0.2**	**0.4**	*1.9*	*-0.7*	*0.0*
Slovenia	-0.5	0.1	0.2	-2.3	-2.9	4.0	**0.8**	**0.2**	**0.4**	*0.7*	*0.1*	*0.1*
Finland	-1.0	0.6	0.2	0.5	0.7	-2.4	**-2.5**	**0.5**	**0.5**	*-0.5*	*-0.3*	*-0.7*
Euro area	-0.3	0.5	0.3	-3.1	-5.7	4.4	**1.6**	**1.6**	**0.8**	*1.4*	*0.0*	*-0.1*
Bulgaria	4.1	-0.1	2.2	0.3	2.4	-2.4	**-0.8**	**-0.4**	**0.7**	*-1.5*	*-1.0*	*-1.0*
Czechia	-0.7	0.2	0.4	-0.1	-4.2	3.3	**1.3**	**0.9**	**0.8**	*1.2*	*-0.2*	*0.2*
Denmark	1.2	0.5	0.4	-4.7	-7.7	1.7	**-1.0**	**0.5**	**-0.1**	*-0.6*	*0.6*	*-0.4*
Hungary	-0.4	-0.1	0.5	-3.7	-6.9	6.3	**0.6**	**0.6**	**0.2**	*0.5*	*0.0*	*0.2*
Poland	0.5	0.8	0.9	-2.0	-3.7	1.7	**-1.4**	**3.1**	**0.0**	*-0.9*	*0.4*	*-0.4*
Romania	4.5	0.0	0.4	0.9	-1.4	1.3	**1.3**	**1.4**	**1.8**	*3.7*	*2.2*	*2.0*
Sweden	0.7	0.4	0.4	0.1	-4.5	0.7	**0.5**	**1.0**	**0.2**	*-0.4*	*0.1*	*-0.2*
EU	-0.2	0.5	0.4	-2.9	-5.4	3.9	**1.3**	**1.6**	**0.7**	*1.2*	*0.1*	*-0.1*
United Kingdom	1.0	0.4	0.5	0.1	-2.3	0.8	**3.4**	**1.4**	**-0.2**	*1.8*	*-0.6*	*0.0*
Japan	-3.5	-0.8	1.0	-9.1	-13.3	6.4	**3.7**	**-0.2**	**-0.4**	*2.5*	*0.0*	*-0.4*
United States	-0.2	0.6	0.1	6.0	3.8	-1.1	**-0.9**	**0.2**	**-0.3**	*-0.6*	*0.2*	*0.2*

Table 22: Total population (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	0.8	0.7	0.5	0.4	0.8	0.9	**0.6**	**0.4**	**0.4**	*0.4*	*0.3*	*0.3*
Germany	-0.3	0.3	0.4	0.0	0.7	0.9	**0.2**	**0.2**	**0.1**	*0.3*	*0.2*	*0.2*
Estonia	-0.4	-0.3	0.2	0.1	0.1	2.6	**0.6**	**-0.2**	**-0.2**	*0.0*	*0.0*	*0.0*
Ireland	1.9	0.6	1.4	1.1	2.1	1.8	**1.7**	**1.2**	**1.0**	*1.8*	*1.2*	*1.0*
Greece	0.2	-0.5	-0.2	-0.5	-0.6	-0.3	**-0.2**	**-0.2**	**-0.2**	*-0.5*	*-0.4*	*-0.3*
Spain	1.3	-0.1	0.4	0.0	0.9	1.3	**0.9**	**0.8**	**0.7**	*1.2*	*1.0*	*0.8*
France	0.6	0.5	0.4	0.4	0.3	0.3	**0.3**	**0.3**	**0.3**	*0.3*	*0.3*	*0.3*
Croatia	-0.1	-0.4	-1.3	-0.7	-0.1	0.6	**-0.1**	**0.0**	**0.0**	*0.1*	*-0.1*	*-0.1*
Italy	0.6	0.1	-0.3	-0.5	-0.2	0.0	**0.0**	**-0.1**	**-0.1**	*0.0*	*-0.2*	*-0.3*
Cyprus	2.3	0.8	1.0	1.5	1.9	1.9	**1.6**	**1.4**	**1.2**	*1.3*	*1.0*	*1.0*
Latvia	-1.3	-1.2	-0.8	-0.8	0.1	-0.2	**-1.1**	**-0.7**	**-0.8**	*-1.1*	*-0.7*	*-0.8*
Lithuania	-1.4	-1.2	-0.7	-0.1	0.8	1.4	**0.6**	**0.2**	**-0.3**	*0.4*	*-0.5*	*-0.7*
Luxembourg	1.7	2.3	2.1	1.6	2.2	1.9	**1.6**	**1.8**	**1.7**	*1.7*	*1.8*	*1.7*
Malta	0.5	1.4	3.0	0.5	2.7	4.1	**3.2**	**2.5**	**2.0**	*3.5*	*2.5*	*2.0*
Netherlands	0.4	0.4	0.6	0.5	1.0	1.0	**0.7**	**0.5**	**0.4**	*0.6*	*0.5*	*0.4*
Austria	0.3	0.6	0.7	0.4	1.1	0.9	**0.5**	**0.2**	**0.2**	*0.3*	*0.2*	*0.2*
Portugal	0.1	-0.4	0.0	0.2	0.6	1.0	**1.0**	**0.7**	**0.6**	*0.9*	*0.4*	*0.2*
Slovakia	0.2	0.0	0.1	-0.4	0.3	0.0	**0.0**	**-0.2**	**-0.3**	*0.2*	*-0.2*	*-0.3*
Slovenia	0.5	0.1	0.4	0.2	0.1	0.5	**0.3**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
Finland	0.4	0.4	0.2	0.2	0.3	0.4	**0.7**	**0.4**	**0.2**	*0.7*	*0.5*	*0.1*
Euro area	0.4	0.2	0.2	0.0	0.5	0.6	**0.4**	**0.3**	**0.3**	*0.4*	*0.3*	*0.2*
Bulgaria	-0.5	-1.5	-1.3	-0.7	-0.6	-0.3	**-0.2**	**-0.4**	**-0.6**	*-0.4*	*-0.4*	*-0.6*
Czechia	0.5	0.0	0.0	0.0	2.5	1.1	**0.1**	**0.2**	**0.2**	*0.3*	*0.2*	*0.2*
Denmark	0.5	0.5	0.5	0.4	0.9	0.7	**0.5**	**0.4**	**0.5**	*0.5*	*0.4*	*0.5*
Hungary	-0.2	-0.4	-0.3	-0.4	-0.3	-0.1	**-0.3**	**-0.3**	**-0.2**	*-0.2*	*-0.3*	*-0.3*
Poland	-0.1	0.0	-0.4	-0.5	2.2	-0.4	**-0.4**	**-0.1**	**-0.1**	*-0.1*	*-0.1*	*-0.1*
Romania	-1.0	-0.4	-0.5	-0.8	-0.5	0.1	**0.0**	**-0.1**	**-0.1**	*0.0*	*-0.1*	*-0.1*
Sweden	0.8	0.9	1.1	0.6	1.1	0.7	**0.4**	**0.3**	**0.2**	*0.1*	*0.2*	*0.1*
EU	0.3	0.1	0.1	0.0	0.6	0.5	**0.3**	**0.2**	**0.2**	*0.3*	*0.2*	*0.2*
United Kingdom	0.8	0.7	0.5	0.4	0.9	1.3	**1.1**	**0.7**	**0.7**	*0.7*	*0.7*	*0.7*
Japan	0.0	-0.1	-0.2	-0.1	-0.4	-0.6	**-0.5**	**-0.5**	**-0.5**	*-0.5*	*-0.5*	*0.5*
United States	0.9	0.8	0.6	0.2	0.6	0.8	**0.9**	**0.8**	**0.8**	*0.8*	*0.8*	*0.8*

Table 23: Total employment in persons (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	1.0	0.5	1.1	1.7	1.9	0.8	**0.3**	**0.3**	**0.5**	*0.3*	*0.5*	*0.6*
Germany	0.9	1.0	0.8	0.2	1.4	0.7	**0.2**	**-0.2**	**0.2**	*0.3*	*0.1*	*0.1*
Estonia	-2.1	2.6	0.5	0.1	4.6	3.2	**0.2**	**-0.1**	**0.2**	*-1.2*	*-0.2*	*0.6*
Ireland	-1.0	1.3	2.1	6.6	6.9	3.5	**2.7**	**1.7**	**1.2**	*2.3*	*1.9*	*1.6*
Greece	0.2	-1.6	1.4	5.1	2.4	1.2	**1.2**	**1.1**	**0.9**	*1.1*	*0.9*	*0.8*
Spain	-0.1	-1.0	1.0	2.6	3.5	3.0	**2.2**	**2.1**	**1.6**	*2.3*	*2.1*	*2.0*
France	0.4	0.4	0.8	2.6	2.4	1.1	**0.6**	**-0.2**	**0.5**	*0.5*	*0.1*	*0.4*
Croatia	0.7	-1.3	0.6	1.2	2.2	2.2	**6.1**	**2.6**	**1.1**	*3.1*	*2.0*	*1.1*
Italy	0.2	-0.2	0.4	1.0	1.9	1.9	**1.6**	**0.9**	**0.3**	*1.6*	*0.8*	*0.2*
Cyprus	2.1	-1.9	4.1	2.9	4.0	1.4	**2.0**	**1.3**	**1.1**	*1.9*	*1.3*	*1.2*
Latvia	-2.5	1.1	0.6	-1.3	0.2	0.1	**-0.9**	**-0.4**	**-0.4**	*-0.3*	*-0.4*	*-0.4*
Lithuania	-2.5	1.5	0.4	1.3	4.9	1.4	**1.7**	**0.4**	**0.3**	*1.9*	*0.1*	*-0.3*
Luxembourg	3.2	2.5	3.1	2.9	3.3	2.1	**1.1**	**1.3**	**1.7**	*0.9*	*1.6*	*1.7*
Malta	1.4	3.4	5.3	2.8	4.9	6.8	**5.1**	**3.1**	**2.8**	*4.3*	*3.1*	*2.8*
Netherlands	1.0	0.0	1.7	1.7	3.9	1.6	**1.0**	**0.3**	**0.2**	*0.9*	*0.4*	*0.4*
Austria	1.1	0.9	0.8	2.0	2.6	0.8	**0.0**	**0.1**	**0.4**	*0.2*	*0.5*	*0.6*
Portugal	-0.7	-1.2	1.3	1.4	3.7	1.0	**1.6**	**1.0**	**0.9**	*1.1*	*0.9*	*0.8*
Slovakia	0.8	0.9	1.2	-0.6	1.8	0.3	**-0.2**	**-0.1**	**-0.1**	*0.2*	*0.1*	*0.1*
Slovenia	0.7	-0.4	1.9	1.3	2.9	1.6	**0.1**	**0.6**	**0.7**	*0.3*	*0.7*	*0.7*
Finland	0.6	0.2	0.6	2.3	3.5	0.9	**-0.6**	**0.2**	**0.5**	*-0.6*	*0.6*	*0.8*
Euro area	0.4	0.2	0.9	1.6	2.4	1.4	**1.0**	**0.5**	**0.5**	*0.9*	*0.6*	*0.6*
Bulgaria	0.7	-0.9	-0.2	0.1	1.1	1.1	**1.1**	**0.4**	**0.3**	*0.5*	*0.1*	*0.1*
Czechia	0.6	0.5	0.2	1.0	1.0	1.0	**0.3**	**0.4**	**0.2**	*0.5*	*0.4*	*0.2*
Denmark	0.1	0.3	1.0	2.3	4.0	1.3	**0.8**	**0.5**	**0.0**	*0.8*	*0.3*	*0.3*
Hungary	-0.9	1.8	1.3	1.8	1.5	0.3	**0.1**	**0.1**	**0.3**	*0.2*	*0.2*	*0.3*
Poland	1.8	0.8	1.1	2.9	1.1	0.1	**-0.7**	**0.1**	**0.3**	*-0.3*	*0.2*	*0.1*
Romania	-0.9	-0.5	-0.1	0.8	0.7	-1.5	**1.8**	**0.6**	**0.7**	*1.5*	*0.5*	*0.7*
Sweden	0.7	1.4	1.1	1.3	3.5	1.2	**-0.3**	**0.2**	**0.5**	*-0.4*	*0.5*	*0.8*
EU	0.4	0.3	0.9	1.6	2.2	1.2	**0.8**	**0.5**	**0.5**	*0.8*	*0.6*	*0.5*
United Kingdom	0.3	1.4	0.8	0.0	1.2	1.2	**0.8**	**0.3**	**0.4**	*0.1*	*0.6*	*0.6*
Japan	0.0	0.0	0.8	-0.1	0.2	0.4	**0.5**	**0.4**	**0.2**	*0.2*	*0.1*	*0.1*
United States	-0.6	1.6	0.0	3.3	3.7	1.8	**0.8**	**0.7**	**0.5**	*0.2*	*0.3*	*0.8*

Table 24: **Unemployment rate [1] (number of unemployed as a percentage of total labour force, 2006-2026)** 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	7.9	8.2	6.5	6.3	5.6	5.5	**5.7**	**6.1**	**5.8**	*5.6*	*5.7*	*5.6*
Germany	7.7	4.9	3.5	3.7	3.2	3.1	**3.4**	**3.6**	**3.3**	*3.3*	*3.3*	*3.4*
Estonia	9.2	8.9	5.9	6.2	5.6	6.4	**7.6**	**7.6**	**7.3**	*7.5*	*7.7*	*7.2*
Ireland	8.8	13.3	6.4	6.2	4.5	4.3	**4.3**	**4.3**	**4.4**	*4.4*	*4.4*	*4.5*
Greece	9.7	24.5	20.2	14.7	12.5	11.1	**10.1**	**9.3**	**8.7**	*10.4*	*9.8*	*9.2*
Spain	13.2	23.8	16.3	14.9	13.0	12.2	**11.4**	**10.4**	**9.9**	*11.5*	*11.0*	*10.7*
France	8.5	10.0	9.0	7.9	7.3	7.3	**7.4**	**7.9**	**7.8**	*7.4*	*7.5*	*7.6*
Croatia	10.1	16.1	9.3	7.5	6.8	6.1	**5.0**	**4.6**	**4.5**	*5.1*	*4.7*	*4.6*
Italy	7.3	11.3	10.6	9.5	8.1	7.7	**6.5**	**5.9**	**5.9**	*6.8*	*6.3*	*6.2*
Cyprus	4.8	13.4	9.5	7.2	6.3	5.8	**4.9**	**4.7**	**4.6**	*4.9*	*4.7*	*4.5*
Latvia	11.7	12.8	8.0	7.6	6.9	6.5	**6.9**	**6.8**	**6.6**	*6.7*	*6.7*	*6.5*
Lithuania	9.5	12.1	7.2	7.1	6.0	6.9	**7.1**	**6.8**	**6.6**	*7.5*	*7.0*	*6.9*
Luxembourg	4.7	5.7	6.0	5.3	4.6	5.2	**6.4**	**6.6**	**6.4**	*6.0*	*6.0*	*5.8*
Malta	6.6	6.0	4.3	3.8	3.5	3.5	**3.1**	**3.1**	**3.1**	*3.2*	*3.1*	*3.0*
Netherlands	5.5	7.5	5.4	4.2	3.5	3.6	**3.7**	**3.9**	**4.0**	*3.7*	*3.8*	*3.9*
Austria	5.3	5.6	5.7	6.2	4.8	5.1	**5.2**	**5.3**	**5.2**	*5.3*	*5.3*	*5.0*
Portugal	10.3	15.0	8.3	6.7	6.2	6.5	**6.5**	**6.4**	**6.3**	*6.4*	*6.3*	*6.2*
Slovakia	12.1	13.2	7.3	6.8	6.1	5.8	**5.3**	**5.3**	**5.3**	*5.5*	*5.3*	*5.1*
Slovenia	5.7	9.2	5.8	4.8	4.0	3.7	**3.7**	**3.7**	**3.8**	*3.5*	*3.6*	*3.6*
Finland	7.6	8.5	7.9	7.7	6.8	7.2	**8.4**	**8.6**	**8.3**	*8.2*	*7.9*	*7.5*
Euro area	10.0	11.3	8.6	7.8	6.8	6.6	**6.4**	**6.3**	**6.1**	*6.5*	*6.3*	*6.3*
Bulgaria	8.8	12.4	6.7	5.2	4.2	4.3	**4.2**	**4.0**	**3.8**	*4.3*	*4.0*	*3.8*
Czechia	6.2	6.4	2.7	2.8	2.2	2.6	**2.6**	**2.6**	**2.6**	*2.6*	*2.7*	*2.7*
Denmark	5.1	7.2	5.5	5.1	4.5	5.1	**6.2**	**6.2**	**6.3**	*5.8*	*5.8*	*5.8*
Hungary	8.5	9.1	4.0	4.0	3.6	4.1	**4.5**	**4.4**	**4.3**	*4.5*	*4.3*	*4.1*
Poland	10.1	9.6	4.3	3.4	2.9	2.8	**2.9**	**2.8**	**2.8**	*2.9*	*2.8*	*2.7*
Romania	8.2	8.8	5.9	5.6	5.6	5.6	**5.4**	**5.3**	**5.2**	*5.5*	*5.5*	*5.4*
Sweden	7.4	7.9	7.2	8.9	7.5	7.7	**8.4**	**8.7**	**8.4**	*8.5*	*8.4*	*7.8*
EU	8.7	10.8	7.8	7.1	6.2	6.1	**5.9**	**5.9**	**5.7**	*6.1*	*5.9*	*5.9*
United Kingdom	6.4	7.1	4.4	4.5	3.8	4.0	**4.3**	**4.4**	**4.4**	*4.3*	*4.2*	*4.2*
Japan	4.4	4.0	2.7	2.8	2.6	2.6	**2.6**	**2.5**	**2.5**	*2.6*	*2.5*	*2.5*
United States	6.8	7.2	5.0	5.3	3.6	3.6	**4.0**	**4.3**	**4.5**	*4.1*	*4.4*	*4.3*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: **Compensation of employees per head (percentage change on preceding year, 2006-2026)** 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	2.7	2.0	1.1	4.9	7.5	8.0	**2.9**	**3.6**	**2.2**	*3.1*	*2.9*	*2.5*
Germany	1.5	2.7	2.4	3.2	4.3	5.8	**5.2**	**3.4**	**2.9**	*4.8*	*3.1*	*2.8*
Estonia	9.4	4.8	7.0	9.3	8.2	8.2	**5.6**	**4.5**	**4.0**	*5.9*	*4.4*	*4.1*
Ireland	2.4	1.5	3.0	2.9	2.5	6.8	**3.5**	**3.4**	**3.3**	*4.4*	*3.8*	*3.7*
Greece	2.8	-4.1	-1.4	1.6	1.8	3.7	**6.0**	**3.8**	**3.5**	*4.1*	*3.2*	*3.0*
Spain	3.9	0.0	1.3	4.8	4.9	5.8	**5.0**	**3.4**	**2.6**	*4.6*	*3.1*	*2.2*
France	2.5	1.9	0.2	5.0	4.8	4.2	**3.2**	**2.5**	**2.0**	*3.0*	*2.3*	*2.0*
Croatia	3.0	-0.3	1.7	6.1	12.3	15.9	**11.2**	**8.8**	**5.3**	*11.2*	*4.8*	*3.8*
Italy	2.0	0.4	-0.1	6.8	3.7	2.9	**3.4**	**3.4**	**2.5**	*4.0*	*3.0*	*2.5*
Cyprus	3.2	-1.3	1.7	4.6	7.3	5.0	**4.5**	**3.6**	**3.3**	*4.4*	*3.0*	*2.8*
Latvia	10.1	6.3	6.0	7.6	13.1	15.6	**9.1**	**5.5**	**4.5**	*9.2*	*4.5*	*4.0*
Lithuania	7.2	5.2	8.2	11.8	11.6	11.9	**9.1**	**7.6**	**7.2**	*7.9*	*6.5*	*5.3*
Luxembourg	2.9	2.4	2.0	5.3	4.5	2.4	**2.2**	**3.8**	**3.3**	*3.0*	*3.4*	*3.3*
Malta	3.7	3.6	4.1	4.9	5.0	2.3	**5.9**	**4.1**	**3.5**	*4.3*	*4.1*	*2.7*
Netherlands	2.3	1.5	2.4	2.7	3.6	6.3	**6.4**	**5.1**	**3.7**	*6.4*	*4.7*	*3.6*
Austria	2.4	2.1	2.3	2.9	4.9	6.8	**8.4**	**3.2**	**3.1**	*7.3*	*3.2*	*2.8*
Portugal	2.6	-0.6	2.9	5.9	5.6	8.0	**8.0**	**4.9**	**4.0**	*6.5*	*3.6*	*3.4*
Slovakia	6.4	2.5	4.8	6.9	5.9	10.3	**7.3**	**4.9**	**4.4**	*6.6*	*5.8*	*5.3*
Slovenia	4.9	0.7	3.9	8.0	5.0	9.5	**6.2**	**5.6**	**4.7**	*7.1*	*5.6*	*4.5*
Finland	3.1	1.9	0.8	4.1	2.5	3.4	**0.5**	**2.3**	**2.3**	*0.2*	*2.7*	*2.4*
Euro area	2.4	1.6	1.4	4.3	4.5	5.3	**4.5**	**3.3**	**2.7**	*4.3*	*3.0*	*2.6*
Bulgaria	10.7	6.9	8.0	11.3	14.2	13.4	**10.4**	**9.6**	**6.1**	*13.7*	*10.9*	*8.4*
Czechia	3.9	2.1	6.5	6.2	6.9	6.7	**5.9**	**6.5**	**5.3**	*6.2*	*6.5*	*5.6*
Denmark	3.4	1.6	1.8	3.1	2.6	3.1	**4.4**	**3.9**	**2.9**	*4.1*	*4.1*	*3.4*
Hungary	3.5	1.9	5.9	8.6	17.1	14.9	**12.6**	**8.7**	**7.8**	*12.9*	*7.8*	*7.1*
Poland	5.8	3.0	5.7	4.7	12.3	14.4	**12.3**	**6.2**	**4.8**	*11.4*	*5.9*	*5.5*
Romania	10.9	3.5	11.6	6.4	13.7	18.1	**16.6**	**8.9**	**6.9**	*12.8*	*9.9*	*8.9*
Sweden	3.5	2.6	2.7	4.9	2.1	5.4	**4.7**	**3.7**	**3.5**	*4.6*	*3.2*	*3.1*
EU	2.6	1.7	1.8	4.5	5.1	6.0	**5.2**	**3.7**	**3.0**	*4.9*	*3.5*	*3.0*
United Kingdom	3.1	1.6	2.4	4.3	6.3	6.8	**5.1**	**3.7**	**2.2**	*4.6*	*2.9*	*2.0*
Japan	-1.4	0.4	0.6	2.0	1.9	1.5	**2.8**	**2.9**	**2.1**	*3.9*	*2.4*	*2.4*
United States	2.9	2.3	3.7	5.1	2.9	3.6	**4.1**	**4.2**	**3.3**	*4.4*	*3.4*	*3.1*

Note: See note 6 on concepts and sources.

Table 26: **Real compensation of employees per head [1] (percentage change on preceding year, 2006-2026)** 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	**2011 - 15**	**2016 - 20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	***2024***	***2025***	***2026***
Belgium	0.7	0.5	-0.5	2.2	-2.5	1.9	**1.3**	**1.3**	**0.3**	*0.9*	*0.9*	*0.7*
Germany	0.1	1.4	1.1	0.3	-2.3	-0.8	**2.4**	**1.5**	**0.8**	*2.0*	*0.5*	*0.2*
Estonia	4.5	2.0	4.6	4.9	-7.9	-0.5	**2.3**	**0.7**	**2.2**	*2.7*	*0.7*	*1.6*
Ireland	2.6	0.4	2.0	0.0	-4.7	-1.7	**-0.7**	**1.4**	**1.5**	*0.6*	*1.6*	*1.8*
Greece	-0.1	-3.8	-1.1	0.6	-3.8	-0.9	**2.3**	**0.7**	**1.1**	*1.5*	*0.8*	*0.7*
Spain	1.6	-1.0	0.5	2.5	-1.5	0.4	**0.9**	**1.0**	**0.7**	*1.7*	*0.9*	*0.2*
France	1.2	1.0	-0.7	3.6	0.0	-2.6	**1.2**	**1.6**	**0.7**	*0.5*	*0.6*	*0.1*
Croatia	-0.3	-1.6	1.2	3.3	1.6	6.6	**7.8**	**5.9**	**3.3**	*8.2*	*2.3*	*1.7*
Italy	0.2	-1.0	-0.9	5.2	-2.9	-2.0	**2.0**	**1.7**	**1.2**	*2.8*	*1.2*	*0.9*
Cyprus	0.2	-1.7	1.8	3.2	1.0	1.3	**2.7**	**2.0**	**1.8**	*2.2*	*1.0*	*1.0*
Latvia	3.6	4.7	3.9	4.8	-0.6	6.0	**5.4**	**2.5**	**2.8**	*7.9*	*2.3*	*1.8*
Lithuania	1.8	3.6	5.9	6.8	-5.8	2.7	**8.2**	**4.8**	**5.9**	*7.0*	*4.7*	*3.7*
Luxembourg	1.1	0.7	0.5	3.7	-1.0	-2.1	**-1.0**	**1.3**	**1.3**	*0.8*	*0.7*	*1.3*
Malta	1.3	1.9	2.9	3.8	-0.3	-3.8	**2.5**	**1.8**	**1.5**	*1.3*	*1.8*	*0.7*
Netherlands	0.7	0.1	0.6	-1.6	-3.6	-0.6	**3.7**	**2.7**	**2.1**	*3.0*	*2.1*	*1.5*
Austria	0.6	0.0	0.6	0.8	-2.7	-1.4	**5.0**	**0.3**	**1.0**	*3.8*	*0.7*	*0.8*
Portugal	0.6	-1.7	1.8	3.8	-1.6	3.5	**5.3**	**2.7**	**1.9**	*3.7*	*1.4*	*1.2*
Slovakia	3.7	0.9	3.3	3.6	-5.3	0.1	**3.8**	**0.9**	**1.6**	*3.7*	*1.4*	*2.6*
Slovenia	2.1	-0.2	3.0	4.4	-4.5	1.9	**4.0**	**3.4**	**2.8**	*4.9*	*2.2*	*2.3*
Finland	1.1	-0.2	0.1	1.8	-3.7	-0.8	**-1.5**	**0.3**	**0.7**	*-1.0*	*0.7*	*0.6*
Euro area	0.7	0.4	0.3	2.0	-2.1	-0.9	**2.0**	**1.5**	**1.0**	*1.8*	*0.9*	*0.5*
Bulgaria	6.5	5.1	5.9	5.0	-1.6	4.9	**5.2**	**5.9**	**3.5**	*8.2*	*8.7*	*5.2*
Czechia	1.4	1.0	3.8	1.9	-6.5	-1.3	**2.8**	**4.0**	**3.2**	*3.1*	*3.8*	*3.3*
Denmark	1.3	0.4	1.3	1.0	-4.2	0.2	**2.7**	**2.0**	**1.3**	*2.3*	*2.0*	*1.7*
Hungary	-1.0	-0.4	2.8	2.6	2.0	0.5	**6.8**	**4.4**	**4.3**	*8.3*	*4.0*	*3.8*
Poland	3.0	1.5	4.0	-0.8	-1.6	4.5	**8.6**	**2.5**	**1.7**	*7.4*	*1.2*	*2.6*
Romania	3.6	1.1	8.4	1.7	-0.2	7.6	**9.8**	**3.0**	**2.1**	*7.2*	*5.0*	*4.4*
Sweden	1.8	1.7	1.1	2.6	-4.3	-1.1	**1.8**	**1.6**	**1.8**	*2.1*	*1.8*	*1.5*
EU	0.8	0.4	0.7	1.9	-2.2	-0.6	**2.3**	**1.6**	**1.1**	*2.2*	*1.1*	*0.8*
United Kingdom	1.0	-0.1	0.9	1.8	-1.7	0.1	**2.0**	**1.2**	**0.2**	*2.2*	*0.8*	*0.0*
Japan	-0.7	0.2	0.3	1.4	-1.0	-1.5	**0.5**	**1.0**	**0.4**	*1.3*	*0.6*	*0.8*
United States	0.9	0.8	2.1	0.9	-3.4	-0.2	**1.6**	**1.5**	**1.1**	*1.9*	*1.4*	*1.1*

[1] Deflated by the price deflator of private consumption.

Note: See note 6 on concepts and sources.

Table 27: **Labour productivity (real GDP per occupied person) (percentage change on preceding year, 2006-2026)** 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	**2011 - 15**	**2016 - 20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	***2024***	***2025***	***2026***
Belgium	0.4	0.6	-0.7	4.4	2.3	0.4	**0.7**	**0.4**	**0.3**	*0.8*	*0.8*	*1.0*
Germany	0.3	0.7	-0.3	3.5	0.0	-1.0	**-0.4**	**0.1**	**0.9**	*-0.5*	*0.5*	*1.2*
Estonia	1.8	1.0	2.1	7.0	-4.3	-6.0	**-0.5**	**1.2**	**2.0**	*0.2*	*1.3*	*2.0*
Ireland	1.5	5.7	4.0	9.1	1.6	-8.7	**-1.4**	**1.6**	**1.3**	*-2.8*	*2.1*	*1.9*
Greece	-0.3	-2.4	-2.1	3.4	3.2	1.1	**1.0**	**1.1**	**1.3**	*1.0*	*1.4*	*1.4*
Spain	1.1	1.1	-1.3	4.0	2.6	-0.3	**0.9**	**0.4**	**0.4**	*0.6*	*0.2*	*0.1*
France	0.5	0.7	-1.0	4.2	0.2	-0.1	**0.6**	**0.7**	**0.9**	*0.6*	*0.7*	*1.0*
Croatia	0.0	1.2	0.2	11.3	5.0	1.1	**-2.0**	**0.6**	**1.8**	*0.5*	*1.3*	*1.7*
Italy	-0.6	-0.4	-1.5	7.9	2.8	-1.2	**-0.9**	**-0.3**	**0.6**	*-0.9*	*0.2*	*1.0*
Cyprus	0.6	0.2	0.1	8.2	3.0	1.3	**1.4**	**1.7**	**1.4**	*1.6*	*1.5*	*1.2*
Latvia	2.3	2.6	0.9	8.3	1.6	2.7	**0.5**	**0.9**	**2.4**	*0.3*	*1.4*	*2.5*
Lithuania	3.6	2.8	3.0	5.0	-2.3	-1.1	**1.0**	**2.4**	**2.8**	*0.3*	*2.9*	*3.3*
Luxembourg	-0.4	-0.3	-1.0	3.9	-4.3	-2.8	**-0.1**	**0.4**	**0.2**	*0.3*	*0.7*	*0.5*
Malta	1.9	2.2	-0.4	10.2	-0.6	0.0	**0.8**	**1.0**	**1.2**	*0.7*	*1.2*	*1.5*
Netherlands	0.4	0.9	-0.5	4.5	1.1	-1.5	**-0.1**	**0.9**	**1.0**	*0.0*	*1.2*	*1.1*
Austria	0.2	0.1	-0.4	2.7	2.6	-1.8	**-1.2**	**-0.4**	**0.5**	*-0.8*	*0.4*	*0.8*
Portugal	1.3	0.3	-0.8	4.1	3.1	1.5	**0.3**	**0.7**	**1.3**	*0.6*	*0.9*	*1.3*
Slovakia	4.3	1.6	0.5	6.3	-1.3	1.9	**2.2**	**1.6**	**1.5**	*2.1*	*2.2*	*2.4*
Slovenia	1.1	0.8	0.4	7.0	-0.2	0.5	**1.4**	**1.4**	**1.8**	*1.1*	*1.8*	*1.9*
Finland	0.3	-0.2	0.6	0.4	-2.7	-1.8	**0.4**	**0.8**	**0.7**	*0.3*	*0.9*	*0.9*
Euro area	0.4	0.6	-0.6	4.7	1.1	-1.0	**-0.1**	**0.3**	**0.8**	*-0.2*	*0.6*	*1.0*
Bulgaria	2.9	2.2	2.0	7.7	3.0	0.8	**1.7**	**1.7**	**1.8**	*1.9*	*2.8*	*2.9*
Czechia	1.9	1.1	1.5	3.0	1.8	-1.1	**0.8**	**1.5**	**1.8**	*0.5*	*1.9*	*2.5*
Denmark	0.1	0.9	0.6	5.0	-2.4	1.1	**2.8**	**3.1**	**1.9**	*1.5*	*2.3*	*1.4*
Hungary	0.7	0.3	1.2	5.3	2.7	-1.1	**0.4**	**0.8**	**2.2**	*0.3*	*1.7*	*2.7*
Poland	2.8	2.4	2.3	3.9	4.1	0.2	**3.7**	**3.2**	**2.7**	*3.3*	*3.4*	*3.1*
Romania	3.8	3.3	3.5	4.8	3.2	4.0	**-1.0**	**0.8**	**1.5**	*0.0*	*1.9*	*2.2*
Sweden	1.0	0.7	0.2	4.6	-2.0	-1.3	**1.3**	**0.9**	**1.4**	*0.8*	*1.3*	*1.9*
EU	0.6	0.8	-0.3	4.7	1.2	-0.7	**0.2**	**0.6**	**1.0**	*0.1*	*0.9*	*1.3*
United Kingdom	0.2	0.6	-1.4	8.6	3.6	-0.8	**0.3**	**0.7**	**0.9**	*0.8*	*0.9*	*0.8*
Japan	-0.1	1.1	-1.1	2.8	0.8	1.1	**-0.4**	**0.3**	**0.4**	*0.0*	*1.1*	*0.9*
United States	1.6	0.5	1.5	2.6	-1.2	1.1	**2.0**	**0.9**	**1.1**	*2.5*	*1.8*	*1.5*

Note : See note 6 on concepts and sources.

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	2.2	1.4	1.8	0.5	5.1	7.5	2.2	3.2	1.9	2.3	2.1	1.5
Germany	1.2	2.0	2.6	-0.3	4.3	6.9	5.7	3.3	2.0	5.3	2.5	1.6
Estonia	7.5	3.7	4.8	2.1	13.1	15.1	6.1	3.3	1.9	5.7	3.0	2.0
Ireland	0.8	-4.0	-1.0	-5.7	0.9	16.9	5.0	1.8	2.0	7.4	1.7	1.8
Greece	3.1	-1.7	0.8	-1.7	-1.4	2.5	4.9	2.6	2.1	3.1	1.7	1.5
Spain	2.8	-1.1	2.6	0.8	2.3	6.2	4.0	3.0	2.2	4.0	2.9	2.0
France	1.9	1.2	1.2	0.8	4.6	4.3	2.6	1.8	1.1	2.3	1.6	1.0
Croatia	3.0	-1.5	1.6	-4.7	7.0	14.6	13.5	8.2	3.5	10.6	3.5	2.0
Italy	2.6	0.8	1.4	-1.0	0.9	4.2	4.3	3.6	1.9	5.0	2.7	1.5
Cyprus	2.6	-1.5	1.6	-3.4	4.1	3.7	3.1	1.9	1.9	2.8	1.5	1.5
Latvia	7.6	3.6	5.1	-0.7	11.3	12.5	8.5	4.6	2.1	8.9	3.1	1.5
Lithuania	3.5	2.4	5.0	6.5	14.2	13.1	8.0	5.0	4.3	7.7	3.5	2.0
Luxembourg	3.2	2.7	3.0	1.3	9.1	5.4	2.3	3.3	3.1	2.7	2.7	2.8
Malta	1.8	1.4	4.5	-4.8	5.7	2.3	5.0	3.1	2.2	3.6	2.9	1.2
Netherlands	1.9	0.6	3.0	-1.6	2.5	7.9	6.5	4.1	2.7	6.4	3.5	2.5
Austria	2.2	2.0	2.7	0.2	2.2	8.7	9.8	3.6	2.6	8.2	2.7	2.0
Portugal	1.3	-0.9	3.7	1.7	2.4	6.4	7.7	4.1	2.6	5.9	2.6	2.1
Slovakia	2.0	0.9	4.2	0.6	7.3	8.3	5.0	3.3	2.9	4.5	3.5	2.8
Slovenia	3.7	-0.1	3.4	0.9	5.2	9.0	4.7	4.2	2.9	6.0	3.7	2.5
Finland	2.8	2.1	0.2	3.7	5.3	5.3	0.1	1.5	1.5	-0.1	1.8	1.6
Euro area	2.0	1.0	2.0	-0.4	3.4	6.4	4.7	3.0	1.9	4.5	2.4	1.6
Bulgaria	7.6	4.6	5.9	3.3	10.9	12.5	8.5	7.8	4.2	11.5	7.9	5.3
Czechia	2.0	0.9	4.9	3.1	5.0	7.9	5.0	4.9	3.4	5.7	4.4	3.0
Denmark	3.3	0.6	1.2	-1.8	5.0	1.9	1.5	0.8	1.0	2.6	1.8	2.0
Hungary	2.7	1.6	4.6	3.2	14.0	16.2	12.2	7.9	5.5	12.5	6.0	4.3
Poland	2.9	0.6	3.3	0.8	7.9	14.2	8.3	2.9	2.0	7.9	2.4	2.4
Romania	6.8	0.2	7.8	1.6	10.2	13.6	17.8	8.0	5.3	12.9	7.8	6.6
Sweden	2.5	1.9	2.5	0.2	4.2	6.7	3.4	2.8	2.0	3.8	1.9	1.2
EU	2.1	0.9	2.1	-0.2	3.8	6.8	4.9	3.1	2.0	4.8	2.5	1.8
United Kingdom	3.0	1.0	3.9	-3.9	2.7	7.7	4.8	3.0	1.3	3.7	2.0	1.1
Japan	-1.3	-0.6	1.8	-0.8	1.1	0.3	3.2	2.6	1.7	3.9	1.3	1.5
United States	1.2	1.8	2.1	2.4	4.1	2.4	2.1	3.3	2.2	1.9	1.6	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, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	0.5	-0.2	0.0	-2.2	-1.6	2.9	0.2	0.3	-0.2	-0.4	-0.3	-0.6
Germany	0.0	0.3	0.9	-3.0	-1.7	0.7	2.5	0.9	-0.2	2.3	0.2	-0.6
Estonia	1.6	0.1	1.6	-3.1	-2.3	6.6	2.2	-0.6	-0.6	0.5	-1.0	-1.3
Ireland	1.6	-6.7	-1.7	-6.8	-5.5	12.9	1.6	-0.9	-0.1	4.0	-0.4	0.1
Greece	0.2	-1.1	0.9	-3.1	-7.4	-3.2	1.7	-0.7	-0.2	-0.3	-0.7	-0.6
Spain	0.7	-1.2	1.5	-1.7	-2.3	0.0	1.0	0.6	0.1	0.9	0.4	0.1
France	0.4	0.3	-0.1	-0.4	1.4	-0.9	0.3	0.0	-0.4	0.1	-0.1	-0.7
Croatia	-0.5	-2.2	0.4	-6.6	-1.0	2.6	7.6	3.7	0.8	3.7	0.3	0.0
Italy	0.7	-0.4	0.3	-2.3	-2.5	-1.7	2.1	1.4	0.2	3.3	0.8	-0.3
Cyprus	-0.2	-1.6	1.3	-6.2	-2.4	-0.1	-0.4	-0.7	-0.4	-0.7	-0.9	-0.7
Latvia	0.8	1.3	2.3	-3.9	1.3	6.1	5.8	0.6	-0.7	6.2	0.2	-0.6
Lithuania	-1.1	0.5	2.4	0.4	-1.6	3.7	4.4	1.4	1.9	3.9	0.1	-0.2
Luxembourg	-0.8	-0.1	1.5	-4.3	2.7	-0.9	-2.8	0.8	0.3	-1.2	-0.2	0.0
Malta	-0.7	-1.1	2.4	-7.1	0.6	-2.8	1.7	0.5	0.1	1.0	0.4	-0.8
Netherlands	0.3	-0.2	1.0	-4.3	-3.4	0.5	1.2	0.3	0.1	1.3	0.4	0.2
Austria	0.4	0.0	0.9	-1.7	-2.4	1.9	6.5	0.1	0.3	3.8	0.4	0.1
Portugal	-0.7	-1.7	1.8	-0.3	-2.8	-0.6	3.1	0.9	0.3	2.1	0.1	-0.1
Slovakia	0.7	0.2	2.6	-1.6	-0.2	-1.7	1.3	-0.6	-0.4	0.0	-0.3	0.0
Slovenia	1.1	-1.0	1.8	-1.7	-1.2	-1.0	1.6	1.4	0.2	2.9	0.0	-0.3
Finland	1.0	-0.1	-1.0	1.2	-0.8	1.8	-1.3	-0.3	-0.2	-1.5	-0.3	-0.4
Euro area	0.3	-0.2	0.6	-2.4	-1.6	0.4	1.7	0.5	-0.1	1.6	0.1	-0.4
Bulgaria	1.5	2.2	1.4	-3.4	-4.3	4.2	1.9	2.3	1.7	6.4	5.4	2.5
Czechia	0.3	-0.4	2.0	-0.9	-3.4	-0.2	1.0	1.9	0.6	1.6	2.0	0.6
Denmark	0.8	-0.4	0.1	-4.5	-3.7	6.0	-0.3	-0.9	-0.9	1.0	-0.4	0.1
Hungary	-1.3	-1.2	0.3	-2.8	-0.1	0.8	4.6	2.9	1.8	5.0	1.9	1.0
Poland	-0.1	-0.8	1.3	-4.3	-2.5	3.9	4.6	-1.3	-1.0	3.8	-2.2	-0.5
Romania	-3.2	-2.5	2.7	-3.8	-1.7	0.7	8.3	1.4	-0.5	3.5	1.8	1.2
Sweden	0.2	0.5	0.4	-2.4	-1.5	0.6	0.6	1.1	0.3	1.4	0.4	-0.1
EU	0.2	-0.3	0.5	-2.6	-1.9	0.6	1.7	0.4	-0.1	1.7	0.1	-0.4
United Kingdom	0.6	-0.5	1.3	-4.0	-2.6	0.7	0.7	-0.1	-0.6	1.0	0.0	-0.7
Japan	-0.3	-0.8	1.4	-0.6	0.7	-3.6	0.3	0.5	-0.2	1.1	-0.3	0.2
United States	-0.6	0.0	0.4	-2.1	-2.8	-1.1	-0.3	0.5	0.0	-0.5	-0.5	-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 (2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	:	:	:	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	:	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovakia	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	:	:	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	2.0	2.0	2.0	2.0	2.0	2.0	**2.0**	**2.0**	**2.0**	*2.0*	*2.0*	*2.0*
Czechia	26.5	26.1	26.2	25.6	24.6	24.0	**25.1**	**25.1**	**25.0**	*25.1*	*25.3*	*25.3*
Denmark	7.5	7.5	7.5	7.4	7.4	7.5	**7.5**	**7.5**	**7.5**	*7.5*	*7.5*	*7.5*
Hungary	264.4	296.5	322.9	358.5	390.8	381.8	**395.3**	**407.3**	**408.1**	*393.7*	*401.3*	*401.3*
Poland	3.9	4.2	4.3	4.6	4.7	4.5	**4.3**	**4.3**	**4.3**	*4.3*	*4.3*	*4.3*
Romania	3.8	4.4	4.7	4.9	4.9	4.9	**5.0**	**5.0**	**5.0**	*5.0*	*5.0*	*5.0*
Sweden	9.7	9.0	10.1	10.1	10.6	11.5	**11.4**	**11.1**	**11.0**	*11.4*	*11.4*	*11.4*
EU	:	:	:	:	:	:	:	:	:	:	:	:
United Kingdom	0.8	0.8	0.9	0.9	0.9	0.9	**0.8**	**0.9**	**0.9**	*0.8*	*0.8*	*0.8*
Japan	140.7	123.0	124.1	129.9	137.9	151.8	**163.9**	**161.6**	**162.0**	*163.9*	*163.3*	*163.3*
United States	1.4	1.3	1.1	1.2	1.1	1.1	**1.1**	**1.1**	**1.1**	*1.1*	*1.1*	*1.1*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	0.4	-0.3	1.4	0.5	-1.5	2.9	**1.1**	**1.3**	**0.5**	*1.2*	*0.1*	*0.0*
Germany	0.4	-0.4	1.7	0.7	-2.4	3.4	**1.3**	**1.7**	**0.7**	*1.4*	*0.1*	*0.0*
Estonia	0.7	1.3	1.5	0.5	-2.1	4.1	**1.2**	**0.7**	**0.4**	*1.3*	*0.4*	*0.0*
Ireland	0.9	-1.3	1.3	0.9	-4.5	3.0	**0.7**	**1.9**	**1.0**	*0.9*	*-0.1*	*0.0*
Greece	0.7	0.7	2.4	1.5	0.4	4.9	**2.6**	**1.9**	**0.6**	*2.8*	*0.4*	*0.0*
Spain	0.5	-0.2	1.6	0.6	-1.4	3.0	**1.3**	**1.5**	**0.6**	*1.4*	*0.2*	*0.0*
France	0.4	-0.5	1.5	0.7	-2.0	3.3	**1.3**	**1.6**	**0.7**	*1.4*	*0.1*	*0.0*
Croatia	0.7	0.0	1.7	1.3	-0.8	3.6	**1.8**	**0.9**	**0.3**	*1.9*	*0.4*	*0.0*
Italy	0.4	-0.2	1.6	0.9	-2.0	3.3	**1.4**	**1.7**	**0.7**	*1.6*	*0.2*	*0.0*
Cyprus	0.4	-0.6	1.9	0.4	-2.7	5.3	**2.0**	**2.2**	**0.8**	*2.2*	*0.2*	*0.0*
Latvia	0.4	2.0	1.8	0.9	-2.4	4.6	**1.4**	**0.7**	**0.4**	*1.5*	*0.4*	*0.0*
Lithuania	0.9	2.4	1.9	1.1	-2.8	4.4	**1.4**	**0.9**	**0.5**	*1.5*	*0.4*	*0.0*
Luxembourg	0.4	-0.2	1.0	0.5	-1.1	2.2	**0.9**	**1.0**	**0.4**	*1.0*	*0.2*	*0.0*
Malta	0.2	-0.6	1.2	0.9	-1.5	4.0	**1.7**	**1.7**	**0.7**	*1.8*	*0.1*	*0.0*
Netherlands	0.5	-0.3	1.3	0.4	-1.4	2.7	**0.9**	**1.2**	**0.5**	*1.0*	*0.1*	*0.0*
Austria	2.2	-2.1	-0.9	4.9	-0.3	-0.8	**9.1**	**1.2**	**0.5**	*1.0*	*0.1*	*0.0*
Portugal	0.3	-0.3	1.2	0.5	-1.3	2.4	**1.0**	**1.2**	**0.5**	*1.1*	*0.2*	*0.0*
Slovakia	5.5	0.3	1.1	0.5	-1.0	2.0	**0.9**	**0.9**	**0.4**	*0.9*	*0.2*	*0.0*
Slovenia	0.4	0.7	1.1	0.7	-1.3	2.1	**0.8**	**0.7**	**0.3**	*0.9*	*0.1*	*0.0*
Finland	0.6	0.5	1.6	0.6	-2.3	4.1	**1.3**	**1.4**	**0.6**	*1.4*	*0.2*	*0.0*
Euro area	1.0	-0.6	2.7	1.2	-3.3	5.5	**2.1**	**2.8**	**1.1**	*2.3*	*0.2*	*0.0*
Bulgaria	0.8	0.9	2.5	1.8	0.9	4.8	**2.7**	**1.7**	**0.5**	*2.8*	*0.4*	*0.0*
Czechia	3.8	-1.3	1.8	3.9	3.6	4.6	**-3.8**	**1.1**	**0.4**	*-3.7*	*-0.3*	*0.0*
Denmark	0.5	-0.3	1.6	0.4	-2.0	3.8	**1.0**	**1.3**	**0.6**	*1.1*	*0.2*	*0.0*
Hungary	-1.6	-2.0	-1.3	-1.4	-9.2	5.0	**-2.4**	**-2.1**	**0.2**	*-1.9*	*-1.7*	*0.0*
Poland	1.0	-0.4	0.1	-2.4	-3.9	6.0	**6.8**	**2.0**	**-0.1**	*6.8*	*0.0*	*0.0*
Romania	-2.2	-0.4	-0.1	-0.6	0.0	3.1	**1.2**	**1.2**	**0.4**	*1.3*	*0.3*	*0.0*
Sweden	0.0	0.4	-0.7	3.5	-6.6	-3.9	**1.5**	**4.9**	**1.1**	*1.9*	*0.3*	*0.0*
EU	1.1	-0.8	3.0	1.5	-4.7	7.0	**3.0**	**3.7**	**1.4**	*3.2*	*0.2*	*0.0*
United Kingdom	-4.3	2.8	-2.6	4.6	-2.2	1.9	**4.4**	:	:	*4.5*	*1.8*	*0.0*
Japan	4.0	-4.8	4.0	-6.3	-11.7	-4.6	**-5.8**	**5.3**	**1.2**	*-5.8*	*0.3*	*0.0*
United States	-1.4	3.8	2.0	-4.0	7.0	0.5	**2.3**	**1.6**	**-0.9**	*1.9*	*1.5*	*0.0*

1) 42 countries: EU-27, TR, CH, NO, US, UK, CA, JP, AU, MX, NZ, KO, CN, HK, RU and BR.

Table 32: **Total expenditure, general government (as a percentage of GDP, 2006-2026)** **30.04.2025**

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	**2011 - 15**	**2016 - 20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	***2024***	***2025***	***2026***
Belgium	51.3	55.3	53.7	54.9	52.3	53.3	**54.5**	**55.5**	**55.6**	*53.8*	*53.8*	*54.0*
Germany	45.9	44.9	46.1	50.7	49.0	48.4	**49.5**	**50.2**	**50.5**	*48.9*	*49.1*	*48.9*
Estonia	38.7	38.4	40.1	42.1	40.0	43.7	**44.0**	**45.2**	**45.3**	*44.8*	*46.3*	*46.5*
Ireland	44.5	38.7	25.6	23.5	20.6	22.7	**23.5**	**23.6**	**23.9**	*24.0*	*24.2*	*24.2*
Greece	50.6	56.6	50.9	56.7	52.8	49.5	**48.0**	**47.5**	**47.6**	*48.7*	*47.5*	*47.6*
Spain	42.2	46.0	43.6	49.5	46.4	45.4	**45.4**	**45.6**	**45.6**	*45.4*	*45.4*	*45.5*
France	55.5	57.9	57.7	59.5	58.4	56.9	**57.1**	**57.6**	**57.5**	*57.5*	*57.4*	*57.3*
Croatia	46.9	48.0	47.0	48.1	45.0	46.8	**48.0**	**49.1**	**49.2**	*47.6*	*48.4*	*48.4*
Italy	48.6	50.3	50.3	56.0	54.9	54.0	**50.6**	**51.0**	**50.8**	*50.7*	*51.1*	*50.6*
Cyprus	42.3	48.2	41.7	42.7	38.1	42.0	**40.0**	**41.2**	**41.0**	*40.2*	*40.4*	*39.8*
Latvia	41.7	40.9	40.6	46.5	44.2	43.7	**45.7**	**47.6**	**47.5**	*46.2*	*47.8*	*47.7*
Lithuania	39.1	36.5	35.7	37.3	36.3	37.4	**39.5**	**41.6**	**41.9**	*39.6*	*40.3*	*40.4*
Luxembourg	39.9	41.1	42.8	42.4	44.3	47.0	**46.9**	**48.0**	**48.2**	*48.7*	*48.8*	*48.6*
Malta	41.4	40.1	35.9	39.5	37.7	36.7	**38.3**	**36.3**	**36.0**	*36.9*	*35.7*	*35.6*
Netherlands	45.8	47.0	43.8	45.9	43.2	43.2	**43.9**	**44.3**	**45.2**	*43.4*	*44.5*	*45.0*
Austria	51.8	51.8	51.2	56.0	53.1	52.7	**56.3**	**56.4**	**56.3**	*54.3*	*54.4*	*54.1*
Portugal	47.5	49.8	45.0	47.3	43.9	42.3	**42.8**	**44.0**	**45.0**	*42.9*	*42.9*	*43.0*
Slovakia	39.0	41.6	41.1	44.9	43.0	48.0	**47.1**	**48.5**	**49.1**	*47.2*	*48.2*	*47.4*
Slovenia	47.0	51.8	46.2	49.9	47.7	46.5	**46.8**	**47.8**	**48.3**	*47.7*	*47.4*	*47.8*
Finland	50.1	56.0	53.9	55.1	52.6	55.9	**57.6**	**57.5**	**57.2**	*57.1*	*56.9*	*56.2*
Euro area	48.4	49.7	48.6	52.0	50.0	49.5	**49.6**	**50.0**	**50.2**	*49.5*	*49.6*	*49.4*
Bulgaria	36.8	37.9	36.9	41.5	41.3	38.8	**39.8**	**41.6**	**41.2**	*40.5*	*41.3*	*41.6*
Czechia	42.1	42.7	40.9	45.0	43.0	43.9	**43.0**	**43.1**	**42.5**	*43.3*	*43.0*	*42.2*
Denmark	52.5	55.9	51.4	49.4	44.9	46.8	**46.5**	**47.8**	**48.4**	*47.9*	*48.3*	*48.8*
Hungary	49.9	49.8	47.2	48.1	48.7	49.2	**46.9**	**47.1**	**46.8**	*48.0*	*47.5*	*47.2*
Poland	44.4	42.9	42.5	43.6	43.2	46.9	**49.4**	**50.2**	**50.6**	*49.6*	*49.5*	*49.5*
Romania	38.0	36.2	36.0	39.8	40.7	40.6	**43.5**	**43.2**	**42.9**	*42.9*	*43.4*	*43.4*
Sweden	50.9	51.2	50.8	50.0	48.9	49.4	**50.0**	**49.5**	**48.8**	*50.8*	*49.9*	*48.8*
EU	48.2	49.3	48.1	51.1	49.2	49.0	**49.2**	**49.6**	**49.7**	*49.2*	*49.3*	*49.1*
United Kingdom	43.7	44.1	43.1	47.9	46.1	46.8	**46.4**	**46.9**	**46.9**	*46.6*	*46.7*	*46.6*
Japan	36.9	39.9	40.0	44.0	43.3	40.6	**40.8**	**41.3**	**41.5**	*42.9*	*42.3*	*42.0*
United States	40.0	39.3	39.8	45.3	38.4	39.1	**39.2**	**39.6**	**39.5**	*39.9*	*39.8*	*39.6*

Table 33: **Total revenue, general government (as a percentage of GDP, 2006-2026)** **30.04.2025**

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	**2011 - 15**	**2016 - 20**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	***2024***	***2025***	***2026***
Belgium	49.2	51.8	50.6	49.5	48.6	49.2	**50.0**	**50.1**	**50.0**	*49.2*	*48.9*	*48.7*
Germany	44.0	45.1	46.4	47.5	46.9	45.9	**46.8**	**47.5**	**47.6**	*46.8*	*47.2*	*47.2*
Estonia	38.7	38.7	38.7	39.5	38.9	40.5	**42.5**	**43.8**	**42.8**	*41.7*	*43.2*	*43.5*
Ireland	34.5	31.9	24.5	22.2	22.3	24.3	**27.8**	**24.3**	**24.0**	*28.4*	*25.7*	*25.5*
Greece	40.6	48.0	49.5	49.7	50.4	48.2	**49.3**	**48.1**	**49.0**	*48.1*	*47.4*	*47.8*
Spain	37.9	38.0	39.0	42.8	41.8	41.9	**42.3**	**42.8**	**43.1**	*42.4*	*42.8*	*42.9*
France	50.7	53.1	53.5	52.9	53.7	51.5	**51.3**	**52.0**	**51.8**	*51.3*	*52.1*	*51.9*
Croatia	42.9	42.6	45.5	45.5	45.1	46.0	**45.6**	**46.4**	**46.6**	*45.4*	*46.3*	*46.4*
Italy	45.2	47.3	46.7	47.2	46.8	46.7	**47.1**	**47.7**	**47.9**	*46.9*	*47.7*	*47.7*
Cyprus	40.7	40.9	40.7	41.1	40.8	43.7	**44.3**	**44.7**	**44.4**	*43.8*	*43.2*	*42.5*
Latvia	36.8	38.8	39.4	39.3	39.4	41.3	**43.9**	**44.4**	**44.4**	*43.4*	*44.6*	*44.4*
Lithuania	35.1	33.7	34.7	36.2	35.5	36.7	**38.2**	**39.3**	**39.5**	*37.6*	*37.9*	*37.8*
Luxembourg	41.7	42.0	44.0	43.4	44.5	46.2	**47.9**	**47.5**	**47.6**	*48.1*	*48.0*	*48.0*
Malta	38.6	38.0	35.6	32.5	32.5	32.0	**34.6**	**33.1**	**33.2**	*32.9*	*32.1*	*32.5*
Netherlands	43.6	44.0	44.0	43.7	43.3	42.8	**43.0**	**42.1**	**42.4**	*43.2*	*42.6*	*42.6*
Austria	48.7	50.0	49.3	50.3	49.7	50.1	**51.6**	**52.0**	**52.1**	*50.7*	*50.7*	*50.6*
Portugal	41.0	43.6	42.8	44.5	43.6	43.5	**43.5**	**44.2**	**44.4**	*43.5*	*43.4*	*43.3*
Slovakia	34.2	38.1	38.9	39.8	41.3	42.8	**41.8**	**43.6**	**44.0**	*41.4*	*43.4*	*43.3*
Slovenia	44.2	45.9	44.6	45.3	44.6	43.9	**45.8**	**46.5**	**46.8**	*45.3*	*45.4*	*45.7*
Finland	51.8	53.8	52.0	52.5	52.5	53.0	**53.2**	**53.8**	**53.7**	*53.4*	*53.9*	*53.7*
Euro area	44.9	46.5	46.5	46.9	46.5	46.0	**46.5**	**46.8**	**46.9**	*46.5*	*46.7*	*46.6*
Bulgaria	36.0	35.8	37.3	37.5	38.3	36.8	**36.7**	**38.8**	**38.4**	*37.8*	*38.5*	*38.8*
Czechia	39.2	40.6	40.4	40.1	39.9	40.2	**40.8**	**40.8**	**40.3**	*40.7*	*40.7*	*40.3*
Denmark	54.2	54.8	52.9	53.5	48.3	50.1	**51.0**	**49.3**	**49.0**	*50.2*	*49.7*	*49.7*
Hungary	44.5	46.8	44.1	41.0	42.5	42.4	**42.0**	**42.5**	**42.1**	*42.6*	*43.0*	*43.2*
Poland	39.7	39.1	40.1	41.8	39.8	41.6	**42.8**	**43.8**	**44.4**	*43.8*	*44.0*	*44.1*
Romania	32.6	33.6	31.8	32.6	34.3	34.0	**34.1**	**34.6**	**34.5**	*34.8*	*35.4*	*35.4*
Sweden	52.2	50.1	50.8	49.8	49.9	48.6	**48.5**	**47.9**	**48.0**	*48.8*	*48.5*	*48.5*
EU	44.9	46.3	46.2	46.5	46.0	45.5	**46.0**	**46.3**	**46.4**	*46.1*	*46.3*	*46.2*
United Kingdom	38.4	38.3	38.8	40.5	41.9	41.1	**40.7**	**41.6**	**42.4**	*41.5*	*42.3*	*42.7*
Japan	31.1	33.1	35.7	37.9	39.1	38.3	**38.3**	**38.5**	**38.5**	*36.8*	*36.9*	*37.1*
United States	31.9	32.2	32.3	33.4	34.7	31.6	**31.7**	**32.9**	**33.7**	*32.1*	*32.4*	*32.7*

Table 34: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 2006-2026) — 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	-2.1	-3.5	-3.1	-5.4	-3.6	-4.1	**-4.5**	**-5.4**	**-5.5**	*-4.6*	*-4.9*	*-5.3*
Germany	-1.9	0.2	0.3	-3.2	-2.1	-2.5	**-2.8**	**-2.7**	**-2.9**	*-2.2*	*-2.0*	*-1.8*
Estonia	-0.1	0.2	-1.3	-2.6	-1.1	-3.1	**-1.5**	**-1.4**	**-2.4**	*-3.0*	*-3.0*	*-3.0*
Ireland	-10.0	-6.7	-1.1	-1.4	1.7	1.5	**4.3**	**0.7**	**0.1**	*4.4*	*1.4*	*1.3*
Greece	-10.0	-8.6	-1.4	-7.1	-2.5	-1.4	**1.3**	**0.7**	**1.4**	*-0.6*	*-0.1*	*0.2*
Spain	-4.3	-8.0	-4.6	-6.7	-4.6	-3.5	**-3.2**	**-2.8**	**-2.5**	*-3.0*	*-2.6*	*-2.7*
France	-4.7	-4.8	-4.2	-6.6	-4.7	-5.4	**-5.8**	**-5.6**	**-5.7**	*-6.2*	*-5.3*	*-5.4*
Croatia	-4.0	-5.4	-1.5	-2.6	0.1	-0.8	**-2.4**	**-2.7**	**-2.6**	*-2.1*	*-2.1*	*-1.9*
Italy	-3.3	-2.9	-3.6	-8.9	-8.1	-7.2	**-3.4**	**-3.3**	**-2.9**	*-3.8*	*-3.4*	*-2.9*
Cyprus	-1.6	-7.3	-1.1	-1.6	2.7	1.7	**4.3**	**3.5**	**3.4**	*3.5*	*2.7*	*2.7*
Latvia	-4.8	-2.1	-1.2	-7.2	-4.9	-2.4	**-1.8**	**-3.1**	**-3.1**	*-2.8*	*-3.2*	*-3.2*
Lithuania	-4.0	-2.9	-1.0	-1.2	-0.7	-0.7	**-1.3**	**-2.3**	**-2.3**	*-2.0*	*-2.4*	*-2.6*
Luxembourg	1.8	0.9	1.2	1.0	0.2	-0.8	**1.0**	**-0.4**	**-0.5**	*-0.6*	*-0.8*	*-0.6*
Malta	-2.8	-2.2	-0.3	-7.0	-5.2	-4.7	**-3.7**	**-3.2**	**-2.8**	*-4.0*	*-3.5*	*-3.1*
Netherlands	-2.1	-3.0	0.2	-2.2	0.0	-0.4	**-0.9**	**-2.1**	**-2.7**	*-0.2*	*-1.9*	*-2.4*
Austria	-3.1	-1.8	-1.9	-5.7	-3.4	-2.6	**-4.7**	**-4.4**	**-4.2**	*-3.6*	*-3.7*	*-3.5*
Portugal	-6.4	-6.2	-2.2	-2.8	-0.3	1.2	**0.7**	**0.1**	**-0.6**	*0.6*	*0.4*	*0.3*
Slovakia	-4.8	-3.5	-2.2	-5.1	-1.7	-5.2	**-5.3**	**-4.9**	**-5.1**	*-5.8*	*-4.7*	*-4.1*
Slovenia	-2.8	-5.9	-1.6	-4.6	-3.0	-2.6	**-0.9**	**-1.3**	**-1.5**	*-2.4*	*-2.1*	*-2.1*
Finland	1.6	-2.2	-1.9	-2.7	-0.2	-3.0	**-4.4**	**-3.7**	**-3.4**	*-3.7*	*-3.0*	*-2.5*
Euro area	-3.4	-3.2	-2.1	-5.1	-3.5	-3.5	**-3.1**	**-3.2**	**-3.3**	*-3.0*	*-2.9*	*-2.8*
Bulgaria	-0.8	-2.1	0.4	-4.0	-3.0	-2.0	**-3.0**	**-2.8**	**-2.8**	*-2.6*	*-2.8*	*-2.8*
Czechia	-2.9	-2.1	-0.5	-5.0	-3.1	-3.8	**-2.2**	**-2.3**	**-2.2**	*-2.5*	*-2.3*	*-1.9*
Denmark	1.8	-1.1	1.5	4.1	3.4	3.3	**4.5**	**1.5**	**0.6**	*2.3*	*1.5*	*0.9*
Hungary	-5.5	-3.0	-3.2	-7.1	-6.2	-6.7	**-4.9**	**-4.6**	**-4.7**	*-5.4*	*-4.6*	*-4.1*
Poland	-4.7	-3.9	-2.3	-1.7	-3.4	-5.3	**-6.6**	**-6.4**	**-6.1**	*-5.8*	*-5.6*	*-5.3*
Romania	-5.4	-2.7	-4.3	-7.1	-6.4	-6.6	**-9.3**	**-8.6**	**-8.4**	*-8.0*	*-7.9*	*-7.9*
Sweden	1.3	-1.1	0.0	-0.2	1.0	-0.8	**-1.5**	**-1.5**	**-0.8**	*-1.9*	*-1.4*	*-0.3*
EU	-3.2	-3.0	-2.0	-4.6	-3.2	-3.5	**-3.2**	**-3.3**	**-3.4**	*-3.1*	*-3.0*	*-2.9*
United Kingdom	-6.1	-6.2	-4.7	-7.8	-4.6	-6.0	**-6.0**	**-5.3**	**-4.4**	*-5.1*	*-4.4*	*-3.9*
Japan	-5.8	-6.8	-4.3	-6.1	-4.2	-2.3	**-2.5**	**-2.8**	**-3.0**	*-6.1*	*-5.4*	*-4.9*
United States	-8.0	-7.2	-7.5	-11.8	-3.7	-7.6	**-7.5**	**-6.7**	**-5.8**	*-7.8*	*-7.4*	*-6.9*

Table 35: Interest expenditure, general government (as a percentage of GDP, 2006-2026) — 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	4.0	3.4	2.3	1.7	1.6	2.0	**2.3**	**2.4**	**2.5**	*2.2*	*2.3*	*2.4*
Germany	2.6	1.9	0.9	0.6	0.7	0.9	**1.1**	**1.1**	**1.1**	*1.0*	*1.1*	*1.1*
Estonia	0.2	0.1	0.0	0.1	0.1	0.4	**0.6**	**0.5**	**0.6**	*0.7*	*0.7*	*0.7*
Ireland	1.6	3.6	1.6	0.7	0.6	0.7	**0.6**	**0.6**	**0.6**	*0.6*	*0.6*	*0.6*
Greece	5.0	5.0	3.1	2.5	2.5	3.4	**3.5**	**3.1**	**3.0**	*3.5*	*2.9*	*3.0*
Spain	1.7	3.1	2.4	2.1	2.3	2.4	**2.4**	**2.6**	**2.6**	*2.5*	*2.5*	*2.6*
France	2.7	2.4	1.7	1.4	1.9	1.9	**2.1**	**2.5**	**2.9**	*2.2*	*2.5*	*2.8*
Croatia	1.9	3.1	2.4	1.5	1.4	1.7	**1.5**	**1.5**	**1.5**	*1.5*	*1.5*	*1.5*
Italy	4.5	4.6	3.6	3.4	4.1	3.7	**3.9**	**3.9**	**4.0**	*3.9*	*3.9*	*4.0*
Cyprus	2.5	3.0	2.3	1.7	1.3	1.3	**1.2**	**1.2**	**1.2**	*1.2*	*1.1*	*1.0*
Latvia	1.0	1.6	0.9	0.5	0.5	0.7	**1.1**	**1.3**	**1.4**	*1.1*	*1.3*	*1.4*
Lithuania	1.0	1.8	1.0	0.5	0.3	0.6	**0.8**	**1.0**	**1.2**	*0.8*	*0.9*	*1.1*
Luxembourg	0.3	0.5	0.3	0.1	0.2	0.3	**0.3**	**0.3**	**0.3**	*0.3*	*0.3*	*0.4*
Malta	3.3	2.7	1.5	1.0	0.9	1.1	**1.2**	**1.3**	**1.3**	*1.2*	*1.3*	*1.4*
Netherlands	2.1	1.6	0.9	0.5	0.6	0.7	**0.7**	**0.8**	**0.8**	*0.8*	*0.8*	*0.8*
Austria	3.1	2.6	1.7	1.1	1.0	1.2	**1.5**	**1.7**	**1.8**	*1.5*	*1.5*	*1.5*
Portugal	3.0	4.6	3.4	2.4	1.9	2.1	**2.1**	**2.1**	**2.2**	*2.1*	*2.1*	*2.1*
Slovakia	1.4	1.8	1.4	1.1	1.0	1.2	**1.4**	**1.6**	**1.6**	*1.4*	*1.5*	*1.6*
Slovenia	1.4	2.6	2.2	1.2	1.1	1.2	**1.3**	**1.3**	**1.3**	*1.4*	*1.4*	*1.4*
Finland	1.4	1.4	0.9	0.5	0.6	1.2	**1.6**	**1.5**	**1.7**	*1.3*	*1.5*	*1.6*
Euro area	2.9	2.8	1.8	1.4	1.7	1.7	**1.9**	**2.0**	**2.1**	*1.9*	*2.0*	*2.1*
Bulgaria	0.9	0.8	0.7	0.5	0.4	0.5	**0.5**	**0.6**	**0.7**	*0.6*	*0.6*	*0.5*
Czechia	1.1	1.3	0.8	0.7	1.1	1.3	**1.3**	**1.3**	**1.3**	*1.4*	*1.3*	*1.3*
Denmark	1.6	1.5	0.8	0.5	0.7	0.7	**0.7**	**0.7**	**0.7**	*0.6*	*0.6*	*0.5*
Hungary	4.1	4.1	2.5	2.2	2.8	4.7	**5.0**	**4.2**	**4.0**	*4.9*	*4.0*	*4.0*
Poland	2.3	2.3	1.5	1.1	1.5	2.1	**2.2**	**2.5**	**2.7**	*2.3*	*2.6*	*2.6*
Romania	1.2	1.8	1.1	1.3	1.4	1.9	**2.3**	**2.6**	**2.8**	*2.0*	*2.1*	*2.2*
Sweden	1.5	0.9	0.4	0.2	0.5	0.7	**0.6**	**0.7**	**0.6**	*0.7*	*0.6*	*0.5*
EU	2.7	2.6	1.7	1.4	1.6	1.7	**1.9**	**2.0**	**2.1**	*1.9*	*2.0*	*2.0*
United Kingdom	2.5	3.0	2.5	2.9	4.4	3.3	**3.0**	**3.1**	**3.2**	*2.9*	*2.9*	*2.9*
Japan	1.9	1.9	1.6	1.4	1.4	1.3	**1.3**	**1.3**	**1.4**	*1.4*	*1.4*	*1.4*
United States	4.1	4.0	3.9	3.5	3.7	4.3	**4.6**	**4.8**	**4.9**	*4.7*	*4.8*	*4.7*

Table 36: Primary balance, general government [1] (as a percentage of GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	1.9	-0.2	-0.8	-3.7	-2.0	-2.1	-2.3	-3.0	-3.0	-2.4	-2.6	-2.9
Germany	0.7	2.1	1.2	-2.6	-1.4	-1.6	-1.7	-1.6	-1.7	-1.1	-0.9	-0.7
Estonia	0.1	0.3	-1.3	-2.5	-1.0	-2.8	-0.9	-0.8	-1.8	-2.4	-2.4	-2.3
Ireland	-8.4	-3.1	0.5	-0.6	2.3	2.2	4.9	1.3	0.6	5.1	2.0	1.8
Greece	-5.0	-3.6	1.7	-4.6	0.0	2.0	4.8	3.8	4.4	2.9	2.9	3.2
Spain	-2.6	-4.9	-2.1	-4.5	-2.3	-1.1	-0.7	-0.2	0.1	-0.5	-0.1	-0.1
France	-2.1	-2.4	-2.5	-5.2	-2.8	-3.5	-3.7	-3.1	-2.8	-4.1	-2.7	-2.5
Croatia	-2.1	-2.3	0.9	-1.0	1.5	0.9	-0.8	-1.2	-1.1	-0.6	-0.6	-0.5
Italy	1.2	1.7	0.0	-5.5	-4.0	-3.6	0.4	0.6	1.1	0.1	0.5	1.1
Cyprus	1.0	-4.2	1.3	0.1	4.0	3.0	5.5	4.7	4.6	4.7	3.8	3.7
Latvia	-3.9	-0.5	-0.3	-6.7	-4.4	-1.6	-0.7	-1.8	-1.7	-1.7	-1.9	-1.8
Lithuania	-3.0	-1.1	0.0	-0.7	-0.4	-0.1	-0.5	-1.3	-1.2	-1.3	-1.4	-1.4
Luxembourg	2.1	1.4	1.5	1.1	0.3	-0.5	1.3	-0.1	-0.2	-0.2	-0.4	-0.2
Malta	0.6	0.6	1.2	-6.0	-4.3	-3.7	-2.5	-1.9	-1.5	-2.8	-2.2	-1.7
Netherlands	-0.1	-1.4	1.2	-1.7	0.6	0.3	-0.2	-1.4	-2.0	0.6	-1.1	-1.6
Austria	0.0	0.8	-0.3	-4.6	-2.5	-1.4	-3.2	-2.7	-2.4	-2.1	-2.2	-2.0
Portugal	-3.5	-1.6	1.2	-0.5	1.6	3.3	2.8	2.3	1.7	2.6	2.5	2.5
Slovakia	-3.4	-1.7	-0.8	-4.0	-0.6	-4.0	-3.9	-3.3	-3.5	-4.4	-3.3	-2.5
Slovenia	-1.5	-3.3	0.6	-3.4	-1.9	-1.3	0.4	-0.1	-0.2	-1.0	-0.7	-0.7
Finland	3.1	-0.8	-1.0	-2.1	0.4	-1.8	-2.8	-2.2	-1.7	-2.5	-1.5	-1.0
Euro area	-0.6	-0.4	-0.3	-3.7	-1.8	-1.8	-1.2	-1.2	-1.1	-1.1	-0.9	-0.7
Bulgaria	0.1	-1.3	1.1	-3.5	-2.6	-1.5	-2.5	-2.2	-2.1	-2.0	-2.2	-2.3
Czechia	-1.8	-0.9	0.3	-4.2	-2.0	-2.5	-0.9	-1.0	-0.9	-1.1	-0.9	-0.6
Denmark	3.4	0.4	2.3	4.6	4.2	4.0	5.2	2.2	1.3	3.0	2.0	1.5
Hungary	-1.4	1.1	-0.6	-4.9	-3.3	-2.1	0.0	-0.4	-0.7	-0.4	-0.6	-0.1
Poland	-2.4	-1.6	-0.9	-0.7	-1.9	-3.2	-4.4	-3.8	-3.4	-3.5	-3.0	-2.8
Romania	-4.2	-0.9	-3.1	-5.8	-5.1	-4.7	-7.0	-6.0	-5.6	-6.0	-5.8	-5.8
Sweden	2.8	-0.2	0.4	0.0	1.5	-0.1	-0.9	-0.8	-0.2	-1.3	-0.8	0.2
EU	-0.5	-0.4	-0.3	-3.3	-1.6	-1.7	-1.3	-1.3	-1.3	-1.2	-1.0	-0.9
United Kingdom	-3.6	-3.2	-2.2	-4.9	-0.2	-2.7	-3.0	-2.2	-1.3	-2.2	-1.5	-1.0
Japan	-3.9	-4.9	-2.7	-4.7	-2.8	-1.0	-1.2	-1.5	-1.6	-4.7	-4.1	-3.5
United States	-4.0	-3.1	-3.6	-8.3	0.0	-3.2	-2.9	-1.9	-0.9	-3.0	-2.6	-2.2

[1] Net lending/borrowing excluding interest expenditure.

Table 37: Cyclically-adjusted primary balance, general government[1] (as a percentage of potential GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	1.4	0.2	-0.2	-3.1	-2.8	-2.3	-2.1	-2.5	-2.2	-2.2	-2.2	-2.6
Germany	1.0	2.1	1.0	-2.4	-1.6	-1.3	-1.0	-0.7	-1.3	-0.3	-0.2	-0.4
Estonia	-0.1	0.5	-1.8	-3.0	-1.0	-0.9	1.2	0.8	-1.1	-0.1	-0.5	-1.5
Ireland	-8.5	-3.4	1.8	-3.4	-2.8	2.1	5.5	1.6	1.0	6.2	2.7	2.0
Greece	-4.7	4.9	7.3	-1.5	0.5	1.6	3.9	2.5	3.0	2.0	1.7	1.9
Spain	-2.4	-0.3	-1.1	-2.1	-2.3	-1.5	-1.6	-1.2	-0.8	-1.2	-0.8	-0.7
France	-2.2	-1.5	-1.9	-4.4	-2.9	-3.5	-3.7	-2.8	-2.7	-4.0	-2.5	-2.6
Croatia	-3.5	-0.6	1.3	-1.0	0.0	-0.3	-1.8	-1.8	-1.4	-1.5	-1.3	-1.0
Italy	0.8	3.7	1.6	-4.6	-5.0	-4.4	-0.1	0.3	0.7	-0.2	0.2	0.6
Cyprus	-0.5	-1.3	1.4	-0.9	1.6	1.4	4.1	3.6	3.8	3.4	2.8	3.1
Latvia	-4.1	0.1	-0.6	-6.6	-4.3	-1.9	-0.5	-1.3	-1.4	-1.5	-1.6	-1.6
Lithuania	-3.0	-0.4	-0.8	-1.4	-0.7	0.6	0.2	-0.6	-0.8	-0.4	-0.7	-1.1
Luxembourg	1.7	2.3	1.9	0.5	1.0	1.1	3.0	1.3	0.9	1.5	1.1	1.1
Malta	0.5	0.7	1.0	-6.0	-3.6	-3.3	-2.4	-1.7	-1.0	-2.7	-1.8	-1.2
Netherlands	0.0	-0.2	1.5	-1.3	-0.8	0.2	0.2	-0.8	-1.2	1.1	-0.5	-0.9
Austria	0.0	1.2	-0.1	-3.6	-3.8	-1.6	-2.5	-1.7	-1.8	-1.3	-1.6	-1.7
Portugal	-3.3	0.0	1.4	1.4	1.0	2.7	2.4	2.1	1.4	2.4	2.5	2.3
Slovakia	-4.3	-1.0	-0.9	-4.6	-0.9	-4.2	-3.8	-3.0	-3.0	-4.1	-3.0	-2.3
Slovenia	-3.0	-0.5	0.6	-4.5	-3.2	-2.3	-0.2	-0.5	-0.8	-1.6	-1.3	-1.3
Finland	2.7	0.4	-0.9	-2.0	0.7	-0.5	-1.1	-0.8	-0.7	-0.6	-0.1	-0.2
Euro area	-0.6	0.9	0.3	-3.0	-2.4	-1.9	-1.1	-0.9	-1.0	-0.8	-0.7	-0.7
Bulgaria	-0.3	-1.2	1.3	-3.6	-3.2	-1.8	-2.7	-2.1	-2.0	-2.1	-2.3	-2.5
Czechia	-2.8	0.0	-0.1	-3.9	-2.2	-1.9	-0.2	-0.5	-0.7	-0.3	-0.4	-0.4
Denmark	3.1	2.2	3.2	4.8	5.2	5.1	5.7	2.0	1.1	3.4	2.1	1.5
Hungary	-0.7	2.4	-1.4	-5.2	-4.4	-1.9	0.5	0.2	-0.7	0.2	-0.1	-0.2
Poland	-3.3	-1.2	-1.0	-0.9	-2.7	-2.6	-4.0	-3.7	-3.4	-3.0	-2.8	-2.8
Romania	-4.8	-0.3	-2.9	-5.0	-5.0	-4.5	-6.4	-5.4	-5.1	-5.4	-5.2	-5.4
Sweden	2.8	0.4	0.6	-0.2	1.4	0.7	0.1	0.2	0.6	0.0	0.2	0.6
EU	-0.6	0.8	0.3	-2.7	-2.2	-1.7	-1.1	-1.1	-1.1	-0.9	-0.8	-0.8

[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, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	:	:	-2.7	-4.6	-4.4	-4.1	**-4.2**	**-4.8**	**-4.7**	*-4.2*	*-4.4*	*-4.9*
Germany	:	:	0.2	-2.8	-2.1	-2.1	**-2.1**	**-1.8**	**-2.4**	*-1.4*	*-1.3*	*-1.5*
Estonia	:	:	-1.8	-4.0	-1.3	-1.2	**0.6**	**0.3**	**-1.7**	*-0.8*	*-1.2*	*-2.2*
Ireland	:	:	0.2	-4.2	-3.5	1.5	**2.3**	**1.0**	**0.4**	*2.9*	*2.1*	*1.5*
Greece	:	:	3.8	-4.8	-2.5	-1.6	**0.6**	**-0.5**	**-0.1**	*-1.3*	*-1.2*	*-1.1*
Spain	:	:	-3.2	-4.2	-4.6	-3.8	**-3.2**	**-3.2**	**-3.2**	*-3.6*	*-3.2*	*-3.1*
France	:	:	-3.3	-5.7	-4.8	-5.3	**-5.7**	**-5.2**	**-5.6**	*-6.1*	*-5.0*	*-5.4*
Croatia	:	:	-1.1	-2.6	-1.1	-1.9	**-3.3**	**-3.3**	**-2.9**	*-3.0*	*-2.8*	*-2.4*
Italy	:	:	-2.1	-8.4	-9.4	-8.4	**-4.1**	**-3.7**	**-3.4**	*-4.3*	*-3.8*	*-3.6*
Cyprus	:	:	0.9	-2.6	0.3	0.1	**2.9**	**2.4**	**2.6**	*2.2*	*1.8*	*2.1*
Latvia	:	:	-1.6	-7.3	-4.8	-2.6	**-1.6**	**-2.6**	**-2.9**	*-2.6*	*-2.8*	*-3.1*
Lithuania	:	:	-1.9	-1.9	-1.3	0.0	**-0.6**	**-1.6**	**-2.0**	*-1.2*	*-1.7*	*-2.2*
Luxembourg	:	:	1.5	0.4	0.8	0.8	**2.7**	**1.0**	**0.6**	*1.1*	*0.7*	*0.8*
Malta	:	:	-0.5	-7.0	-4.5	-4.4	**-3.6**	**-3.0**	**-2.3**	*-3.9*	*-3.2*	*-2.6*
Netherlands	:	:	0.4	-1.7	-1.2	-1.0	**-0.4**	**-1.5**	**-1.3**	*0.2*	*-0.9*	*-1.7*
Austria	:	:	-1.7	-4.7	-4.8	-2.8	**-4.0**	**-3.4**	**-3.6**	*-2.8*	*-3.1*	*-3.2*
Portugal	:	:	:	-1.3	-0.8	1.1	**0.3**	**0.0**	**-0.8**	*0.5*	*0.4*	*0.2*
Slovakia	:	:	-2.2	-5.7	-1.9	-5.4	**-5.2**	**-4.5**	**-4.6**	*-5.5*	*-4.5*	*-3.9*
Slovenia	:	:	-1.4	-5.8	-4.3	-3.0	**-1.2**	**-1.2**	**-2.1**	*-2.3*	*-2.1*	*-2.7*
Finland	:	:	-1.8	-2.5	0.1	-1.7	**-2.7**	**-2.3**	**-2.5**	*-1.9*	*-1.6*	*-1.8*
Euro area	:	:	:	-4.5	-4.0	-3.6	**-3.0**	**-2.9**	**-3.1**	*-2.8*	*-2.6*	*-2.8*
Bulgaria	:	:	0.7	-4.0	-3.5	-2.8	**-2.7**	**-3.2**	**-2.7**	*-2.7*	*-2.9*	*-3.0*
Czechia	:	:	-0.8	-4.7	-3.3	-3.2	**-1.6**	**-1.7**	**-2.0**	*-1.7*	*-1.8*	*-1.7*
Denmark	:	:	2.4	4.3	4.4	4.6	**5.6**	**1.3**	**0.4**	*3.4*	*1.5*	*0.9*
Hungary	:	:	-3.9	-7.4	-7.3	-6.6	**-4.5**	**-4.0**	**-4.7**	*-4.7*	*-4.1*	*-4.2*
Poland	:	:	-2.5	-2.2	-4.5	-4.7	**-6.1**	**-6.1**	**-6.1**	*-5.3*	*-5.4*	*-5.3*
Romania	:	:	-3.8	-6.4	-6.4	-6.4	**-8.8**	**-7.9**	**-7.9**	*-7.4*	*-7.4*	*-7.6*
Sweden	:	:	0.2	-0.4	0.9	0.0	**-0.5**	**-0.4**	**0.0**	*-0.7*	*-0.3*	*0.1*
EU	:	:	:	-4.1	-3.7	-3.5	**-3.0**	**-3.0**	**-3.2**	*-2.8*	*-2.7*	*-2.8*

Table 39: Net expenditure growth (in percent, 2024-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	:	:	:	:	:	:	**4.2**	**5.0**	**3.0**	3.7	3.5	4.1
Germany	:	:	:	:	:	:	**4.0**	**2.1**	**3.2**	2.6	2.7	2.5
Estonia	:	:	:	:	:	:	**1.8**	**2.1**	**4.1**	5.1	5.1	5.6
Ireland	:	:	:	:	:	:	**8.2**	**6.7**	**6.2**	9.2	6.6	5.6
Greece	:	:	:	:	:	:	**-0.3**	**4.2**	**3.1**	*1.8*	*3.1*	2.8
Spain	:	:	:	:	:	:	**3.5**	**4.2**	**3.9**	*4.8*	*4.0*	*4.1*
France	:	:	:	:	:	:	**3.1**	**0.9**	**2.5**	*3.2*	*-0.1*	*2.7*
Croatia	:	:	:	:	:	:	**17.4**	**7.9**	**4.9**	*17.0*	*6.2*	*4.4*
Italy	:	:	:	:	:	:	**-2.2**	**1.2**	**1.5**	*-2.3*	*1.3*	*1.9*
Cyprus	:	:	:	:	:	:	**2.9**	**7.3**	**5.4**	*3.9*	*4.2*	*3.0*
Latvia	:	:	:	:	:	:	**4.5**	**5.7**	**4.4**	*3.8*	*4.1*	*4.4*
Lithuania	:	:	:	:	:	:	**10.7**	**9.0**	**5.8**	*10.5*	*6.6*	*5.6*
Luxembourg	:	:	:	:	:	:	**6.2**	**6.8**	**5.3**	*7.8*	*5.7*	*4.9*
Malta	:	:	:	:	:	:	**13.9**	**0.8**	**5.3**	*6.3*	*5.7*	*5.5*
Netherlands	:	:	:	:	:	:	**6.8**	**7.0**	**3.8**	*5.9*	*7.1*	*5.0*
Austria	:	:	:	:	:	:	**8.7**	**2.0**	**2.3**	*6.7*	*3.0*	*2.6*
Portugal	:	:	:	:	:	:	**12.0**	**6.1**	**6.3**	*10.3*	*4.7*	*4.1*
Slovakia	:	:	:	:	:	:	**5.4**	**3.8**	**3.9**	*5.6*	*3.5*	*1.9*
Slovenia	:	:	:	:	:	:	**4.5**	**4.6**	**7.0**	*5.2*	*4.7*	*6.6*
Finland	:	:	:	:	:	:	**3.1**	**1.3**	**1.5**	*3.1*	*1.7*	*2.1*
Euro area	:	:	:	:	:	:	**3.5**	**2.7**	**3.0**	3.0	2.5	3.0
Bulgaria	:	:	:	:	:	:	**10.4**	**9.2**	**1.7**	*7.9*	*7.6*	*5.4*
Czechia	:	:	:	:	:	:	**0.0**	**4.0**	**4.8**	*0.6*	*3.1*	*4.0*
Denmark	:	:	:	:	:	:	**3.3**	**10.0**	**5.4**	*5.1*	*7.5*	*5.0*
Hungary	:	:	:	:	:	:	**2.3**	**6.1**	**6.0**	*3.6*	*5.7*	*5.2*
Poland	:	:	:	:	:	:	**12.7**	**6.2**	**5.4**	*11.8*	*5.5*	*6.6*
Romania	:	:	:	:	:	:	**19.9**	**5.4**	**8.1**	*16.1*	*9.1*	*9.3*
Sweden	:	:	:	:	:	:	**6.1**	**1.7**	**2.6**	*6.2*	*2.2*	*2.0*
EU	:	:	:	:	:	:	**4.4**	**3.2**	**3.3**	3.9	2.9	3.3

Table 40: Gross debt, general government (as a percentage of GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	94.4	104.8	103.4	108.5	102.7	103.2	104.7	107.1	109.8	103.4	105.1	107.2
Germany	69.7	76.3	64.0	68.1	65.0	62.9	62.5	63.8	64.7	63.0	63.2	62.8
Estonia	5.9	10.5	11.3	18.4	19.1	20.2	23.6	23.8	25.4	23.2	24.2	25.5
Ireland	47.6	104.2	62.5	52.6	43.1	43.3	40.9	38.6	38.2	41.6	38.3	36.8
Greece	119.4	176.4	189.4	197.3	177.0	163.9	153.6	146.6	140.6	153.1	146.8	142.7
Spain	45.5	93.2	104.0	115.7	109.5	105.1	101.8	100.9	100.8	102.3	101.3	101.1
France	74.2	93.6	101.7	112.8	111.4	109.8	113.0	116.0	118.4	112.7	115.3	117.1
Croatia	43.8	75.5	77.1	78.2	68.5	61.8	57.6	56.3	56.4	57.3	56.0	56.0
Italy	110.1	129.3	138.1	145.8	138.3	134.6	135.3	136.7	138.2	136.6	138.2	139.3
Cyprus	55.4	96.9	102.0	96.5	81.1	73.6	65.0	58.0	51.9	66.4	61.4	56.7
Latvia	25.1	42.8	40.5	45.9	44.4	44.6	46.8	48.6	49.3	48.1	50.3	51.6
Lithuania	22.5	39.9	38.7	43.3	38.1	37.3	38.2	41.2	43.9	38.3	41.0	44.6
Luxembourg	13.1	20.9	21.8	24.2	24.9	25.0	26.3	25.7	26.2	27.5	27.6	27.5
Malta	63.8	63.0	45.6	49.8	49.5	47.9	47.4	47.6	47.3	49.8	50.4	50.2
Netherlands	51.5	65.0	53.9	50.5	48.4	45.2	43.3	45.0	47.8	43.3	44.3	46.6
Austria	73.6	83.9	78.3	82.4	78.4	78.5	81.8	84.0	85.8	79.5	80.8	81.8
Portugal	81.9	127.4	125.7	123.9	111.2	97.7	94.9	91.7	89.7	95.7	92.9	90.5
Slovakia	33.5	50.9	51.8	60.2	57.7	55.6	59.3	60.9	63.0	58.9	59.8	61.8
Slovenia	28.9	67.2	74.2	74.8	72.7	68.4	67.0	65.5	63.8	67.1	64.4	63.1
Finland	41.0	60.9	68.2	73.2	74.0	77.5	82.1	85.6	87.5	82.6	84.7	85.3
Euro area	73.9	92.8	90.7	95.7	91.2	88.9	88.9	89.9	91.0	89.1	89.6	90.0
Bulgaria	15.8	20.3	24.2	23.8	22.5	22.9	24.1	25.1	27.1	24.5	23.1	24.5
Czechia	30.6	41.7	33.6	40.7	42.5	42.5	43.6	44.5	45.4	43.4	44.4	44.8
Denmark	37.5	47.9	41.0	40.5	34.1	33.6	31.1	29.7	29.4	31.0	29.3	28.3
Hungary	72.0	77.7	71.8	76.2	73.9	73.0	73.5	74.5	74.3	74.5	74.5	73.8
Poland	48.3	53.7	50.9	53.0	48.8	49.5	55.3	58.0	65.3	54.7	58.9	62.4
Romania	17.5	36.5	37.8	48.3	47.9	48.9	54.8	59.4	63.3	52.2	56.1	59.7
Sweden	40.2	41.3	40.0	36.9	33.8	31.6	33.5	33.8	33.3	32.8	32.7	31.7
EU	69.8	86.7	84.2	88.3	83.9	82.1	82.2	83.2	84.5	82.4	83.0	83.4

Table 41: Gross national saving (as a percentage of GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	26.8	24.0	24.4	26.3	25.6	24.8	23.8	22.9	22.6	24.6	24.4	24.4
Germany	25.6	27.2	29.0	29.5	27.7	27.9	27.1	26.6	26.6	27.3	26.8	26.7
Estonia	24.3	27.0	27.6	27.5	25.8	23.3	24.1	23.9	23.9	23.5	24.0	24.8
Ireland	19.7	22.3	34.2	35.2	32.3	34.8	33.8	32.5	31.4	33.6	33.3	33.1
Greece	10.4	8.5	8.5	9.2	9.2	8.7	9.9	10.5	11.4	10.2	10.5	11.5
Spain	20.2	19.5	22.3	22.6	23.0	23.7	23.5	23.3	23.5	25.1	25.5	25.7
France	22.3	21.3	21.8	23.5	22.3	21.1	21.0	21.2	21.1	21.1	21.3	21.3
Croatia	19.2	18.1	23.0	22.2	22.6	24.0	22.4	21.9	21.9	23.7	23.9	24.0
Italy	19.4	18.2	21.0	24.1	22.9	23.1	23.3	23.3	23.6	23.1	23.0	23.4
Cyprus	8.9	12.3	13.7	14.3	15.4	11.0	11.9	12.4	12.9	11.4	11.9	11.5
Latvia	24.1	23.6	23.9	21.7	18.8	19.9	17.8	16.7	17.1	18.9	20.0	20.1
Lithuania	16.2	20.6	22.0	23.3	22.0	23.0	23.0	22.4	22.5	23.2	23.0	23.0
Luxembourg	23.9	21.7	20.3	19.9	13.2	16.8	17.4	15.8	15.5	12.2	12.3	12.6
Malta	16.0	19.8	28.0	27.6	23.2	25.0	22.4	22.2	21.5	25.2	25.1	25.2
Netherlands	26.3	26.8	28.1	32.2	29.5	29.8	29.3	29.5	29.5	30.5	30.4	30.3
Austria	27.0	25.9	27.5	29.5	28.2	26.6	24.0	23.6	23.7	25.6	25.2	25.3
Portugal	11.9	14.9	18.4	20.0	19.1	20.7	21.8	21.4	21.3	20.8	20.8	20.8
Slovakia	22.0	23.4	21.0	18.3	14.0	19.7	18.5	18.6	18.9	19.4	19.6	20.3
Slovenia	25.8	22.3	26.9	25.6	23.3	26.7	25.8	25.5	25.5	25.4	25.2	25.2
Finland	26.9	21.2	23.8	25.1	24.9	22.2	20.8	21.2	21.5	21.1	21.3	21.8
Euro area	22.6	22.6	24.7	26.3	24.9	24.9	24.4	24.2	24.2	24.8	24.7	24.8
Bulgaria	16.0	21.6	22.0	20.5	20.1	20.4	19.5	19.0	19.2	19.9	18.8	17.9
Czechia	24.8	23.5	25.2	27.6	26.8	30.6	27.3	26.6	26.5	30.4	30.2	30.1
Denmark	25.5	26.9	29.2	32.3	36.4	32.7	34.7	35.1	35.1	32.5	32.6	32.4
Hungary	18.6	23.6	26.6	27.0	26.1	26.3	26.0	24.6	24.3	25.6	24.9	25.1
Poland	17.4	17.6	19.7	20.4	19.2	19.1	17.9	18.5	18.6	17.9	18.1	18.5
Romania	21.9	23.6	19.7	19.0	17.4	18.5	15.7	16.6	17.8	16.8	18.4	19.5
Sweden	29.4	26.8	27.9	31.5	31.1	31.6	31.7	31.0	31.0	30.8	30.5	30.9
EU	22.7	22.7	24.7	26.3	25.0	25.0	24.4	24.2	24.3	24.7	24.7	24.8
United Kingdom	13.8	12.9	14.4	17.6	15.8	13.8	15.4	15.0	15.0	15.2	14.9	14.9
Japan	28.1	26.0	28.9	29.7	28.8	30.0	30.6	30.8	30.8	30.9	31.0	31.0
United States	16.1	18.4	18.8	17.6	18.3	17.4	17.3	17.9	18.1	18.3	18.5	18.8

Table 42: Gross saving, private sector (as a percentage of GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	26.0	24.0	24.7	28.8	26.3	25.8	**25.0**	**24.8**	**24.7**	*25.7*	*26.0*	*26.4*
Germany	24.1	24.1	25.5	28.9	25.5	26.2	**25.4**	**25.0**	**25.2**	*25.1*	*24.6*	*24.3*
Estonia	19.2	22.3	24.1	24.8	21.6	20.4	**19.4**	**18.4**	**19.8**	*20.1*	*19.8*	*20.2*
Ireland	20.8	25.8	33.0	34.5	28.5	30.8	**29.2**	**28.6**	**28.0**	*29.2*	*28.9*	*28.8*
Greece	16.5	11.7	7.0	11.9	8.3	6.2	**4.5**	**5.8**	**5.7**	*6.3*	*6.6*	*7.5*
Spain	19.3	23.8	24.7	25.9	24.9	24.8	**23.9**	**23.1**	**23.0**	*25.6*	*25.7*	*26.0*
France	21.6	20.8	21.0	25.2	22.1	21.7	**21.8**	**21.7**	**22.0**	*22.3*	*21.5*	*21.6*
Croatia	16.0	18.4	20.4	20.3	17.6	19.6	**18.9**	**18.7**	**18.8**	*20.4*	*20.4*	*20.4*
Italy	18.5	17.9	21.1	25.7	23.8	22.3	**21.6**	**21.4**	**21.7**	*21.8*	*21.3*	*21.4*
Cyprus	5.9	12.2	10.3	13.7	10.5	5.2	**4.8**	**6.3**	**6.8**	*5.1*	*6.6*	*6.6*
Latvia	23.5	21.6	20.8	24.0	18.2	16.7	**13.9**	**13.9**	**14.3**	*17.6*	*18.9*	*18.9*
Lithuania	16.3	20.3	19.7	21.3	19.3	19.5	**20.0**	**20.5**	**20.6**	*20.8*	*21.6*	*21.8*
Luxembourg	17.0	16.2	14.0	13.6	7.7	11.7	**10.6**	**10.2**	**10.1**	*6.7*	*6.9*	*7.1*
Malta	16.7	19.8	25.3	31.0	25.5	25.7	**20.7**	**22.1**	**20.9**	*24.8*	*24.4*	*24.2*
Netherlands	24.2	26.0	24.6	30.8	25.9	26.7	**26.4**	**28.2**	**28.2**	*27.6*	*28.9*	*29.1*
Austria	25.7	23.7	25.8	31.1	26.8	24.7	**23.7**	**23.2**	**23.1**	*24.6*	*24.4*	*24.3*
Portugal	14.4	17.7	17.8	20.3	16.4	16.8	**18.6**	**18.3**	**18.6**	*17.2*	*17.4*	*17.6*
Slovakia	22.8	23.6	19.9	20.5	12.7	21.5	**19.9**	**19.0**	**19.2**	*22.7*	*21.1*	*21.6*
Slovenia	23.5	22.3	24.8	25.8	21.1	24.2	**21.5**	**21.8**	**21.9**	*22.4*	*22.3*	*22.3*
Finland	21.8	19.5	21.5	23.4	21.0	21.1	**20.8**	**20.2**	**20.3**	*20.8*	*19.7*	*19.9*
Euro area	21.6	22.0	23.3	27.0	23.9	23.9	**23.3**	**23.1**	**23.3**	23.7	23.4	23.5
Bulgaria	12.3	20.4	18.3	22.4	21.4	19.7	**19.8**	**18.7**	**19.5**	*20.2*	*19.1*	*18.5*
Czechia	22.1	21.2	21.6	28.1	25.3	29.8	**25.2**	**24.6**	**24.6**	*28.6*	*28.0*	*27.7*
Denmark	20.6	23.3	24.0	24.9	29.5	25.4	**26.1**	**28.8**	**29.7**	*26.1*	*27.1*	*27.3*
Hungary	19.6	22.6	23.3	26.7	24.2	26.9	**25.5**	**24.1**	**24.2**	*25.6*	*24.1*	*23.7*
Poland	17.4	17.5	18.3	18.3	18.2	18.6	**18.8**	**19.5**	**19.4**	*18.0*	*18.4*	*18.1*
Romania	21.1	21.9	20.7	22.5	19.5	20.6	**19.5**	**19.4**	**20.2**	*20.9*	*22.3*	*23.2*
Sweden	23.9	23.4	22.9	26.9	24.9	27.1	**27.1**	**26.5**	**25.6**	*26.8*	*26.3*	*25.4*
EU	21.5	21.9	23.0	26.5	23.8	23.9	**23.2**	**23.1**	**23.2**	23.6	23.4	23.4
United Kingdom	16.1	15.8	15.3	21.2	17.1	14.3	**15.5**	**14.2**	**13.3**	*14.7*	*13.7*	*13.1*
Japan	29.6	28.6	29.3	31.2	28.9	28.2	**29.2**	**29.6**	**29.7**	*33.2*	*32.7*	*32.3*
United States	19.8	22.1	23.2	26.0	19.3	21.0	**21.2**	**20.4**	**19.7**	*21.9*	*21.8*	*21.6*

Table 43: Saving rate of households (2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	17.1	13.2	12.9	16.6	12.7	14.1	13.5	13.0	12.6	14.0	13.7	13.6
Germany	16.8	16.7	18.7	21.9	18.9	19.3	20.1	20.0	19.9	19.5	18.9	18.1
Estonia	6.0	7.5	9.9	8.6	2.8	3.1	3.8	3.3	5.2	6.1	5.4	5.6
Ireland	11.4	12.5	15.8	22.5	15.1	13.6	14.2	13.6	13.4	12.9	12.8	12.6
Greece	9.2	-2.1	-2.9	4.4	-3.5	-1.9	-2.5	-2.5	-1.8	-0.2	0.5	0.2
Spain	8.6	8.2	9.3	14.3	9.1	12.0	13.6	13.1	12.9	12.5	11.9	11.6
France	14.8	14.4	15.0	18.7	16.5	16.5	17.0	17.0	17.0	17.1	16.9	16.9
Croatia	7.3	7.7	9.2	10.6	6.4	10.2	:	:	:	:	:	:
Italy	14.6	11.3	12.2	15.8	11.4	11.2	11.8	11.8	11.7	12.5	12.0	12.0
Cyprus	7.9	3.4	5.9	15.0	12.3	9.9	10.0	11.0	11.9	10.9	11.6	12.2
Latvia	7.0	0.4	7.9	10.4	3.1	5.4	7.5	7.5	7.7	12.8	14.9	15.0
Lithuania	0.1	-0.8	1.7	10.1	4.7	6.8	11.4	12.8	14.1	11.1	12.2	12.3
Luxembourg 2)	11.4	13.8	15.7	18.0	13.4	:	:	:	:	17.8	17.7	17.4
Malta	2.4	4.0	14.0	20.2	13.2	11.4	:	:	:	:	:	:
Netherlands	11.7	14.0	16.1	19.1	14.4	14.5	14.4	15.8	15.6	14.4	15.6	15.3
Austria	17.1	13.5	14.4	17.3	15.0	14.9	18.0	17.4	16.7	17.1	16.4	15.6
Portugal	8.7	8.4	8.0	11.0	7.3	8.3	12.2	11.9	11.6	9.7	10.0	9.8
Slovakia	8.6	8.4	9.7	11.4	5.9	7.4	5.9	6.0	5.6	11.3	10.6	10.8
Slovenia	15.1	10.8	14.9	17.6	13.4	14.3	12.9	13.5	13.1	15.4	15.1	14.9
Finland	8.3	8.8	10.2	12.5	10.0	10.2	9.8	9.0	9.0	10.8	9.7	9.7
Euro area 1)	13.1	12.3	13.9	17.3	13.6	14.3	15.3	15.2	15.1	15.5	15.2	14.8
Bulgaria	-6.0	-1.4	-0.3	-5.6	-6.6	-5.5	-4.9	-3.2	-1.5	:	:	:
Czechia	13.2	11.5	12.7	19.6	18.2	19.4	18.4	17.7	17.4	18.8	18.7	18.1
Denmark	4.4	5.2	9.0	5.8	9.7	9.7	9.1	11.5	11.7	11.4	11.8	11.9
Hungary	10.8	12.5	14.8	19.1	16.9	20.0	18.0	17.4	17.1	21.1	17.8	16.1
Poland	7.5	5.9	7.5	5.1	1.0	2.4	6.6	6.6	6.5	4.2	4.1	4.0
Romania	:	:	:	:	:	:	:	:	:	:	:	:
Sweden	10.6	15.0	16.1	17.5	14.8	16.2	18.1	17.4	15.9	18.4	17.9	16.0
EU 1)	12.5	11.7	13.1	16.2	12.7	13.3	14.5	14.3	14.1	14.8	14.4	14.0
United Kingdom	9.5	8.8	7.9	12.7	6.0	7.3	10.1	10.4	10.1	7.5	7.3	6.7
Japan	11.7	9.0	11.4	14.6	11.9	8.9	9.8	9.9	9.8	14.6	13.7	13.1
United States	10.1	11.7	13.7	16.7	9.5	11.0	10.3	10.0	9.6	12.4	12.6	12.6

1) In the Spring Forecast 2025, there is no forecast of houshold saving for Croatia and Malta, so saving rate for EU/EA is historical until 2024, and then it is extrapolated with the level shift for EU/EA excluding Croatia and Malta. 2) Due to known issues with the household sector compensation of employees (ESA code D1) data for Luxembourg, which will be addressed by the national Statistical Institute only later in 2025, figures for D1 or depending on D1 in their compilation, e.g. the saving rate of households, will not be published in the present forecast (for years 2023-2026).

Table 44: Gross saving, general government (as a percentage of GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	0.9	0.0	-0.3	-2.4	-0.7	-1.0	-1.2	-1.9	-2.1	-1.1	-1.6	-2.0
Germany	1.6	3.1	3.5	0.6	2.2	1.6	1.7	1.6	1.3	2.2	2.2	2.3
Estonia	5.1	4.7	3.5	2.7	4.3	2.9	4.7	5.5	4.1	3.3	4.2	4.6
Ireland	-1.0	-3.4	1.1	0.7	3.8	4.0	4.6	3.9	3.4	4.4	4.5	4.3
Greece	-6.1	-3.2	1.6	-2.7	0.9	2.6	5.4	4.7	5.7	3.9	3.9	4.0
Spain	0.8	-4.3	-2.4	-3.3	-1.9	-1.1	-0.4	0.2	0.5	-0.6	-0.3	-0.3
France	0.8	0.5	0.8	-1.7	0.2	-0.6	-0.8	-0.6	-0.9	-1.2	-0.2	-0.3
Croatia	3.2	-0.3	2.6	1.9	5.0	4.5	3.5	3.1	3.1	3.3	3.5	3.6
Italy	0.9	0.3	-0.1	-1.6	-0.9	0.8	1.6	1.9	2.0	1.3	1.7	2.0
Cyprus	3.0	0.1	3.4	0.5	4.8	5.8	7.1	6.1	6.1	6.3	5.3	4.9
Latvia	0.6	2.1	3.1	-2.3	0.5	3.2	4.0	2.9	2.9	1.3	1.2	1.2
Lithuania	-0.1	0.4	2.3	1.9	2.7	3.5	3.0	1.8	1.9	2.4	1.4	1.1
Luxembourg	6.9	5.5	6.3	6.3	5.5	5.1	6.8	5.6	5.4	5.4	5.4	5.5
Malta	-0.7	0.1	2.6	-3.4	-2.3	-0.7	1.7	0.0	0.6	0.4	0.7	0.9
Netherlands	2.0	0.8	3.5	1.3	3.5	3.1	2.9	1.3	1.3	2.9	1.5	1.2
Austria	1.3	2.2	1.8	-1.7	1.4	1.9	0.4	0.4	0.5	0.9	0.8	0.9
Portugal	-2.5	-2.9	0.7	-0.3	2.7	4.0	3.3	3.1	2.7	3.7	3.4	3.3
Slovakia	-0.8	-0.2	1.1	-2.1	1.2	-1.7	-1.4	-0.4	-0.4	-3.4	-1.5	-1.3
Slovenia	2.2	0.0	2.0	-0.3	2.2	2.4	4.2	3.7	3.6	3.0	2.9	2.8
Finland	5.2	1.8	2.2	1.7	3.8	1.1	-0.1	1.0	1.2	0.3	1.6	1.9
Euro area	1.0	0.6	1.4	-0.7	1.0	1.0	1.1	1.1	1.0	1.1	1.3	1.3
Bulgaria	3.7	1.3	3.6	-1.9	-1.3	0.7	-0.3	0.3	-0.3	-0.4	-0.3	-0.6
Czechia	2.7	2.3	3.5	-0.5	1.5	0.8	2.1	2.0	1.9	1.8	2.2	2.3
Denmark	5.0	3.6	5.2	7.4	6.8	7.3	8.5	6.2	5.4	6.4	5.6	5.1
Hungary	-1.1	1.0	3.3	0.4	1.9	-0.6	0.5	0.5	0.2	-0.1	0.8	1.3
Poland	0.0	0.1	1.4	2.1	1.0	0.4	-0.9	-1.1	-0.8	-0.1	-0.3	0.4
Romania	0.8	1.7	-1.0	-3.5	-2.1	-2.1	-3.8	-2.9	-2.4	-4.1	-3.9	-3.6
Sweden	5.5	3.4	5.0	4.6	6.2	4.5	4.5	4.5	5.4	3.9	4.1	5.5
EU	1.2	0.8	1.6	-0.3	1.3	1.1	1.2	1.1	1.1	1.1	1.3	1.4
United Kingdom	-2.2	-2.8	-0.9	-3.6	-1.3	-0.5	-0.1	0.7	1.6	0.4	1.2	1.8
Japan	-1.5	-2.6	-0.4	-1.5	-0.1	1.8	1.5	1.2	1.1	-2.3	-1.7	-1.2
United States	-3.7	-3.6	-4.4	-8.4	-1.0	-3.6	-3.9	-2.6	-1.6	-3.6	-3.3	-2.8

Table 45: Exports of goods and services, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	2.1	2.7	1.9	14.7	5.8	-7.1	-3.4	-1.8	1.9	-2.0	1.8	2.6
Germany	3.8	4.0	0.1	10.0	3.1	-0.3	-1.1	-1.9	1.1	0.0	1.4	2.6
Estonia	4.3	6.2	2.6	22.1	5.0	-9.0	-1.1	2.2	2.4	-0.2	2.9	3.0
Ireland	4.3	11.9	9.2	14.1	13.5	-5.8	11.7	1.3	2.8	10.1	1.0	3.8
Greece	0.8	3.5	-0.6	24.4	6.6	1.9	1.0	3.1	3.2	2.3	3.7	3.5
Spain	1.7	4.4	-1.6	13.4	14.3	2.8	3.1	2.4	2.3	3.4	2.9	2.7
France	1.2	3.8	-1.2	11.3	8.2	2.1	1.3	1.1	2.3	1.8	3.0	3.5
Croatia	0.6	4.1	-0.5	32.7	27.0	-2.9	0.9	2.3	2.6	0.2	2.9	3.1
Italy	0.4	2.7	-0.8	14.1	9.9	0.2	0.4	0.9	1.7	0.3	2.3	3.0
Cyprus	1.7	4.5	7.1	27.2	27.1	-2.8	5.3	3.7	3.5	7.7	3.5	2.4
Latvia	4.4	6.4	2.7	9.1	11.4	-4.7	-1.6	1.8	2.0	-1.8	1.6	2.4
Lithuania	5.5	6.5	7.0	16.6	12.4	-3.4	2.1	3.0	3.3	3.5	3.2	3.5
Luxembourg	3.9	4.8	3.3	11.3	1.5	-0.3	0.3	3.1	3.2	1.0	4.1	3.7
Malta	7.7	9.6	10.0	-0.4	13.7	5.6	5.3	3.5	2.9	3.2	3.2	2.9
Netherlands	2.9	5.2	2.5	6.9	4.4	-0.5	0.4	0.7	1.9	0.0	2.3	2.5
Austria	2.8	2.8	1.1	9.5	10.0	-0.4	-4.3	-1.0	1.9	-2.0	2.2	2.7
Portugal	3.2	5.5	0.1	12.0	17.2	3.8	3.4	1.7	2.8	3.8	3.0	3.2
Slovakia	7.4	6.9	1.7	10.7	2.8	-0.7	0.3	1.9	1.8	2.0	3.8	4.0
Slovenia	4.5	4.3	3.7	14.5	6.8	-2.0	3.2	2.2	3.0	0.9	3.0	3.4
Finland	1.6	0.4	2.5	6.0	4.4	0.2	0.1	2.5	2.4	-0.2	3.1	2.8
Euro area	2.5	4.3	1.2	11.5	7.4	-0.8	1.1	0.3	2.0	1.5	2.2	3.0
Bulgaria	5.3	6.7	1.9	11.6	12.1	0.0	-0.8	1.6	2.1	0.5	3.0	2.9
Czechia	6.5	5.6	1.4	8.2	5.1	2.7	1.8	1.1	2.4	1.1	2.4	3.0
Denmark	2.1	3.2	1.9	8.8	7.2	10.4	7.5	5.4	2.5	4.7	2.0	2.5
Hungary	8.0	5.0	2.8	8.3	10.7	1.7	-3.0	0.2	2.8	-1.9	2.5	5.2
Poland	7.5	5.8	5.7	12.3	7.4	3.7	2.0	1.6	2.3	0.9	2.4	3.0
Romania	10.9	9.2	4.7	12.6	9.3	-0.8	-3.1	1.8	2.8	-2.0	2.2	2.4
Sweden	1.7	3.2	2.4	11.9	6.2	3.7	2.3	2.0	1.9	1.7	1.9	2.8
EU	2.9	4.4	1.5	11.3	7.4	0.1	1.2	0.7	2.1	1.4	2.2	3.0
United Kingdom	2.0	2.5	0.3	3.2	12.6	-0.4	-1.2	0.4	1.5	-1.6	0.9	1.3
Japan	3.1	2.6	-0.4	11.9	5.5	3.0	1.0	1.8	1.3	0.2	2.5	2.2
United States	5.4	3.6	-1.2	6.5	7.5	2.8	3.3	1.7	1.6	3.3	2.9	3.1

Table 46: Imports of goods and services, volume (percentage change on preceding year, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	2.5	2.9	1.9	12.8	5.8	-6.8	-3.5	-1.0	2.1	-2.2	1.9	2.7
Germany	3.8	3.3	1.5	9.0	7.0	-0.6	0.2	0.9	1.5	-1.1	1.8	2.9
Estonia	1.5	7.5	4.1	22.7	5.0	-6.7	0.0	2.6	2.9	-0.5	2.5	3.1
Ireland	2.8	10.0	11.2	-8.7	16.0	1.2	6.5	3.2	2.7	8.4	2.8	3.1
Greece	-0.3	-1.0	2.5	17.4	11.0	0.9	5.5	4.2	3.5	5.0	4.1	3.5
Spain	-0.8	0.9	-0.4	15.0	7.7	0.3	2.4	3.2	2.8	2.2	2.8	3.0
France	2.2	3.8	0.0	8.3	8.8	0.3	-1.2	1.3	2.1	-1.7	2.0	3.0
Croatia	-1.6	3.2	3.0	17.3	26.5	-5.3	5.3	3.8	3.3	4.5	3.7	3.0
Italy	1.2	-0.3	-0.4	16.0	12.9	-1.6	-0.7	1.7	2.4	-3.4	2.9	3.1
Cyprus	4.2	0.8	8.2	19.6	29.7	-0.7	2.4	3.6	3.5	7.2	2.9	1.9
Latvia	-0.2	6.0	3.9	15.1	9.9	-2.0	-2.3	2.1	2.1	-3.1	1.8	2.5
Lithuania	3.2	6.4	4.5	19.2	12.7	-5.3	2.4	3.9	3.7	2.5	3.9	3.8
Luxembourg	4.0	5.7	3.3	13.4	2.4	0.4	-0.3	3.8	3.8	1.0	4.6	4.1
Malta	5.3	8.7	10.1	-2.8	18.4	2.0	4.7	3.1	2.4	3.0	2.7	2.5
Netherlands	2.8	5.9	2.0	6.5	4.4	-1.8	0.3	1.2	2.2	-0.5	2.5	3.1
Austria	2.2	2.8	1.2	14.1	7.1	-4.6	-5.0	-0.6	1.9	-2.4	2.2	2.3
Portugal	2.5	1.4	2.1	12.3	11.3	1.8	4.9	4.3	4.1	4.6	4.1	4.1
Slovakia	5.4	5.5	1.5	11.7	4.2	-7.6	2.3	2.1	2.4	4.3	3.9	3.2
Slovenia	3.6	2.5	3.7	17.8	9.2	-4.5	3.9	2.2	3.4	3.5	3.3	4.1
Finland	1.7	1.7	2.3	7.0	9.3	-6.7	-2.4	2.6	2.9	-1.0	3.3	2.5
Euro area	2.3	3.3	1.9	9.0	8.4	-1.4	0.3	1.6	2.2	0.0	2.5	3.0
Bulgaria	3.1	5.8	3.7	10.7	15.3	-5.5	1.3	2.4	2.8	2.2	3.2	3.8
Czechia	5.8	5.1	1.3	13.7	5.9	-0.9	0.9	2.5	3.6	0.2	3.8	3.5
Denmark	2.3	4.1	2.6	9.5	4.4	3.7	3.0	4.0	2.6	1.8	2.4	2.3
Hungary	5.5	4.2	4.5	7.4	10.7	-3.4	-4.0	1.1	3.5	-3.5	3.9	6.0
Poland	8.4	4.1	5.1	16.3	6.8	-1.5	4.2	3.0	3.1	2.8	3.6	3.1
Romania	12.3	6.7	7.9	14.6	9.3	-1.1	3.8	2.9	3.2	4.9	3.2	3.1
Sweden	3.2	4.0	1.9	12.8	9.7	-0.8	1.7	1.8	1.3	0.3	1.7	2.4
EU	2.8	3.5	2.2	9.6	8.3	-1.3	0.6	1.7	2.3	0.2	2.6	3.0
United Kingdom	1.8	3.7	-0.9	5.8	13.0	-1.2	2.7	1.6	1.5	0.9	0.6	1.5
Japan	0.3	4.6	0.0	5.2	8.3	-1.5	1.3	1.6	1.3	0.0	2.7	2.2
United States	1.1	3.8	0.3	14.7	8.6	-1.2	5.3	1.4	-0.3	5.6	3.3	2.9

Table 47: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	0.7	-0.9	0.6	2.1	-0.2	0.5	**1.3**	**1.4**	**1.5**	*2.2*	*2.3*	*2.4*
Germany	6.5	7.1	6.6	5.1	3.4	5.6	**5.7**	**5.3**	**5.3**	*6.5*	*6.4*	*6.3*
Estonia	-10.7	-4.8	-3.6	-4.3	-7.8	-6.0	**-6.9**	**-6.7**	**-6.4**	*-5.7*	*-5.1*	*-4.8*
Ireland	18.8	25.1	35.1	37.5	39.4	30.6	**33.1**	**32.8**	**31.4**	*30.5*	*28.7*	*27.9*
Greece	-15.9	-11.2	-11.6	-14.4	-19.0	-14.5	**-15.0**	**-15.0**	**-14.9**	*-14.7*	*-14.8*	*-14.9*
Spain	-6.7	-2.4	-1.6	-1.7	-4.4	-2.3	**-2.0**	**-2.4**	**-2.4**	*-1.9*	*-1.8*	*-1.8*
France	-1.8	-2.1	-1.7	-2.7	-4.9	-2.8	**-1.9**	**-1.7**	**-1.7**	*-2.0*	*-1.9*	*-1.8*
Croatia	-18.8	-14.7	-17.5	-19.5	-26.8	-21.8	**-20.4**	**-19.4**	**-19.1**	*-20.4*	*-20.1*	*-19.8*
Italy	-0.4	1.7	3.2	2.5	-1.3	1.7	**2.6**	**2.8**	**3.0**	*2.9*	*2.8*	*2.8*
Cyprus	-25.9	-19.1	-21.1	-16.9	-19.7	-23.7	**-20.4**	**-19.9**	**-19.7**	*-22.4*	*-21.8*	*-20.9*
Latvia	-17.5	-12.3	-8.2	-8.6	-11.4	-9.3	**-8.2**	**-8.5**	**-7.9**	*-8.9*	*-8.9*	*-9.1*
Lithuania	-10.4	-4.3	-4.3	-5.1	-10.9	-6.2	**-6.0**	**-6.7**	**-6.9**	*-5.4*	*-5.4*	*-5.4*
Luxembourg	-2.0	3.8	3.5	0.5	-0.6	1.5	**1.7**	**1.5**	**2.1**	*-0.1*	*0.0*	*0.5*
Malta	-19.3	-16.6	-11.6	-12.1	-17.5	-15.4	**-11.8**	**-11.5**	**-11.1**	*-11.8*	*-11.4*	*-11.1*
Netherlands	8.0	9.4	9.0	7.3	5.5	8.0	**8.7**	**9.2**	**9.7**	*8.5*	*8.5*	*8.3*
Austria	0.2	-0.3	0.7	0.0	-1.9	0.9	**2.1**	**2.5**	**2.5**	*1.6*	*1.7*	*1.9*
Portugal	-11.6	-6.1	-6.9	-7.6	-11.2	-9.7	**-9.2**	**-9.6**	**-10.0**	*-9.3*	*-9.8*	*-10.3*
Slovakia	-1.4	2.9	-0.1	-1.4	-6.6	0.6	**-0.3**	**-0.7**	**-0.9**	*0.2*	*-0.4*	*0.2*
Slovenia	-3.1	1.2	3.6	1.7	-4.3	0.7	**1.0**	**1.1**	**0.9**	*-0.6*	*-0.9*	*-1.2*
Finland	6.4	1.0	0.6	0.9	-0.1	3.3	**2.5**	**2.4**	**2.3**	*3.0*	*2.9*	*0.0*
Euro area	0.7	2.3	3.1	2.6	0.4	2.2	**2.7**	**2.7**	**2.7**	*2.9*	*2.9*	*2.8*
Euro area, adjusted 2)	:	2.3	2.8	2.3	-0.3	1.8	**2.5**	**2.4**	**2.4**	*2.5*	*2.5*	*2.4*
Bulgaria	-19.1	-7.2	-3.3	-4.0	-5.9	-4.1	**-5.2**	**-5.3**	**-5.3**	*-5.9*	*-6.4*	*-7.2*
Czechia	0.8	3.6	4.6	1.7	-0.3	3.9	**5.2**	**4.9**	**4.6**	*5.1*	*4.3*	*4.1*
Denmark	2.6	4.6	4.7	3.3	2.8	7.4	**9.4**	**10.4**	**10.4**	*9.1*	*9.0*	*8.9*
Hungary	-0.3	2.4	-0.3	-2.9	-9.2	-0.2	**0.7**	**0.2**	**-0.1**	*1.2*	*0.3*	*0.3*
Poland	-4.4	-1.9	-0.6	-1.3	-3.3	0.6	**-0.8**	**0.0**	**-0.2**	*-0.2*	*-0.4*	*-0.6*
Romania	-12.6	-5.5	-7.3	-9.5	-11.4	-8.9	**-9.3**	**-9.2**	**-8.7**	*-9.1*	*-8.5*	*-7.9*
Sweden	5.7	3.6	3.0	4.6	3.7	5.4	**5.9**	**6.1**	**6.2**	*5.6*	*5.8*	*5.9*
EU	0.6	2.1	2.8	2.2	0.0	2.1	**2.6**	**2.6**	**2.6**	*2.7*	*2.6*	*2.6*
EU, adjusted 2)	-0.1	1.5	2.4	1.8	-0.8	1.6	**2.1**	**2.2**	**2.2**	*2.2*	*2.1*	*2.1*
United Kingdom	-5.9	-6.7	-6.6	-7.1	-8.2	-7.7	**-7.9**	**-8.1**	**-8.1**	*-7.1*	*-7.0*	*-7.0*
Japan	1.8	-1.0	0.5	0.3	-2.8	-1.1	**-0.6**	**-0.8**	**-0.9**	*-0.8*	*-0.9*	*-1.0*
United States	-5.2	-4.5	-4.2	-4.6	-4.6	-3.9	**-4.1**	**-4.0**	**-3.8**	*-4.1*	*-4.1*	*-4.1*

1) See note 7 on concepts and sources.
2) See note 8 on concepts and sources.

Table 48: Current-account balance[1] (as a percentage of GDP, 2006-2026) 30.04.2025

	5-year averages						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
Belgium	3.0	0.5	-0.2	1.9	-1.3	-0.6	**-0.2**	**-0.7**	**-1.0**	*0.4*	*0.3*	*0.3*
Germany	5.8	7.1	8.0	7.0	4.6	6.2	**6.1**	**5.3**	**5.3**	*7.1*	*6.8*	*6.5*
Estonia	-6.8	0.3	0.7	-3.6	-3.9	-1.7	**-2.0**	**-2.1**	**-2.0**	*-1.5*	*-1.0*	*-0.7*
Ireland	-4.8	1.2	-4.7	12.2	8.8	8.1	**17.0**	**12.6**	**11.6**	*13.6*	*9.7*	*9.8*
Greece	-12.6	-4.0	-4.1	-8.3	-10.8	-8.0	**-8.3**	**-8.2**	**-7.9**	*-7.1*	*-7.5*	*-7.2*
Spain	-6.9	0.7	2.1	0.8	0.4	2.7	**3.1**	**2.7**	**2.8**	*4.2*	*4.5*	*4.4*
France	0.0	-0.5	-0.6	0.0	-1.9	-2.0	**-0.9**	**-0.6**	**-0.6**	*-0.5*	*-0.3*	*-0.3*
Croatia	-6.9	-0.5	1.2	0.4	-3.4	0.8	**-0.7**	**-1.1**	**-1.1**	*0.4*	*0.5*	*0.6*
Italy	-2.1	0.2	2.9	2.1	-1.7	0.1	**0.9**	**1.3**	**1.6**	*1.1*	*1.2*	*1.4*
Cyprus	-15.8	-2.4	-5.6	-5.4	-5.4	-9.5	**-7.0**	**-6.5**	**-5.9**	*-9.2*	*-8.4*	*-8.2*
Latvia	-9.3	-2.3	1.1	-4.1	-5.5	-3.9	**-3.3**	**-3.9**	**-3.5**	*-3.2*	*-2.1*	*-2.3*
Lithuania	-7.5	-0.5	2.2	1.4	-6.1	1.1	**2.6**	**2.0**	**1.9**	*2.7*	*2.5*	*2.4*
Luxembourg	5.2	2.9	2.2	1.2	-3.9	-0.6	**2.3**	**0.8**	**0.3**	*-4.5*	*-4.3*	*-4.0*
Malta	-5.7	1.2	7.2	3.6	-1.8	4.6	**3.6**	**3.7**	**3.4**	*5.7*	*5.7*	*5.9*
Netherlands	4.9	7.4	7.4	10.0	6.6	9.9	**10.0**	**10.2**	**10.6**	*11.1*	*11.1*	*11.0*
Austria	3.2	2.0	2.2	1.8	-0.8	1.4	**2.0**	**2.4**	**2.3**	*1.7*	*1.5*	*1.5*
Portugal	-10.4	-1.2	0.4	-0.9	-2.3	0.3	**1.7**	**1.2**	**0.9**	*0.9*	*0.6*	*0.4*
Slovakia	-4.9	-0.3	-2.3	-4.4	-9.2	-0.1	**-1.6**	**-2.3**	**-2.5**	*-1.3*	*-2.0*	*-1.4*
Slovenia	-2.9	2.3	6.5	3.7	-1.1	4.4	**4.6**	**4.7**	**4.8**	*3.0*	*2.9*	*2.6*
Finland	2.8	-1.6	-0.8	0.3	-2.4	-0.6	**-0.8**	**-0.7**	**-0.7**	*-0.6*	*-0.9*	*-0.9*
Euro area	0.3	2.5	3.2	3.6	1.0	2.6	**3.3**	**3.0**	**3.0**	*3.8*	*3.6*	*3.6*
Euro area, adjusted 2)	:	2.4	2.8	2.7	-0.1	1.7	**2.8**	**2.5**	**2.6**	*3.0*	*2.8*	*2.8*
Bulgaria	-14.8	0.3	1.8	-0.2	-2.6	0.7	**-0.8**	**-1.1**	**-1.0**	*0.3*	*-0.2*	*-1.2*
Czechia	-4.5	-2.3	-0.2	-0.5	-4.3	2.6	**1.2**	**0.8**	**0.5**	*4.3*	*3.3*	*3.2*
Denmark	3.5	7.2	7.1	8.7	11.7	9.8	**13.0**	**13.7**	**13.5**	*10.6*	*10.1*	*9.8*
Hungary	-5.1	1.3	0.9	-3.9	-8.4	0.5	**2.4**	**2.0**	**1.5**	*2.1*	*1.2*	*1.0*
Poland	-5.3	-3.2	-0.5	-1.4	-2.9	1.8	**0.2**	**1.0**	**0.7**	*0.6*	*0.4*	*0.3*
Romania	-7.3	-2.5	-4.1	-7.3	-9.6	-7.3	**-8.5**	**-7.9**	**-7.0**	*-8.3*	*-7.6*	*-6.9*
Sweden	6.7	4.0	3.2	6.3	4.2	6.7	**7.0**	**6.8**	**7.0**	*6.6*	*6.4*	*6.5*
EU	0.1	2.3	3.0	3.2	0.8	2.6	**3.2**	**3.0**	**3.0**	*3.6*	*3.4*	*3.3*
EU, adjusted 2)	-0.2	2.0	2.8	2.9	0.1	1.9	**2.7**	**2.6**	**2.6**	*3.0*	*2.8*	*2.8*
United Kingdom	-3.3	-3.9	-3.7	-0.4	-2.1	-3.5	**-2.7**	**-2.6**	**-2.6**	*-2.3*	*-2.3*	*-2.3*
Japan	3.6	1.5	3.6	3.9	2.0	3.8	**4.8**	**4.4**	**4.3**	*4.4*	*4.5*	*4.7*
United States	-4.3	-2.4	-2.2	-3.7	-3.9	-3.3	**-3.7**	**-3.6**	**-3.4**	*-3.5*	*-3.3*	*-3.2*

1) See note 7 on concepts and sources. 2) See note 8 on concepts and sources.

Table 49: **Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 2006-2026)** 30.04.2025

	5-year averages						Spring 2025 Forecast			Autumn 2024 Forecast		
	2006 - 10	2011 - 15	2016 - 20	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	2.9	0.6	-0.1	2.1	-1.2	-0.4	-0.1	-0.5	-0.9	0.6	0.5	0.4
Germany	5.7	6.9	7.7	6.7	3.9	5.3	5.1	4.4	4.4	6.3	5.9	5.7
Estonia	-4.5	2.9	2.0	5.4	-3.5	-0.5	-0.8	-0.7	-0.4	-0.2	0.4	0.8
Ireland	-4.7	0.4	-12.4	12.5	8.6	6.4	13.6	9.4	8.5	7.2	7.0	6.6
Greece	-10.8	-1.8	-2.6	-5.6	-8.3	-5.7	-7.3	-5.4	-4.2	-5.3	-4.8	-4.1
Spain	-6.5	1.2	2.5	1.6	1.3	3.7	4.2	3.9	4.0	5.3	5.6	5.6
France	0.0	-0.6	-0.7	0.4	-1.6	-1.7	-0.6	-0.5	-0.3	-0.2	-0.2	-0.2
Croatia	-6.7	-0.1	2.8	2.9	-0.9	3.6	0.7	1.4	1.6	2.7	3.4	3.4
Italy	-2.1	0.3	2.9	2.2	-1.2	0.9	0.9	1.6	2.0	1.0	1.1	1.3
Cyprus	-15.6	-2.0	-5.4	-5.1	-5.3	-9.6	-6.7	-6.2	-5.6	-8.9	-8.1	-7.9
Latvia	-7.5	0.5	2.6	-2.7	-4.7	-2.0	-1.7	-1.9	-1.4	-1.4	0.2	0.0
Lithuania	-4.7	2.5	3.7	2.9	-4.6	2.7	4.2	3.7	3.7	4.3	4.2	4.2
Luxembourg	3.6	2.0	0.6	-1.4	-4.6	-1.2	1.6	-0.2	-0.6	-5.6	-5.5	-5.2
Malta	-4.2	3.0	8.5	5.1	-0.6	6.0	5.0	4.7	4.4	6.7	6.7	6.9
Netherlands	4.8	6.0	7.0	10.1	17.2	9.6	9.8	10.1	10.5	10.9	10.9	10.9
Austria	3.1	1.9	2.0	1.9	-0.8	1.9	2.5	2.9	2.7	2.1	1.9	1.9
Portugal	-9.2	0.4	1.4	0.8	-1.3	1.7	2.9	2.4	2.0	2.4	2.1	1.8
Slovakia	-4.0	1.2	-2.1	-4.5	-9.7	-0.4	-2.1	-1.9	-2.3	-1.5	-2.3	-1.7
Slovenia	-2.5	2.9	5.9	4.1	-1.4	4.4	4.4	4.6	4.6	2.8	2.7	2.4
Finland	2.9	-1.5	-0.7	0.4	-2.4	-0.7	-0.9	-0.8	-0.8	-0.7	-1.1	-1.0
Euro area	0.4	2.5	3.0	3.8	1.9	2.6	3.1	2.9	3.0	3.5	3.5	3.5
Euro area, adjusted 2)	:	2.4	2.5	2.9	0.7	1.7	2.6	2.5	2.6	2.7	2.7	2.7
Bulgaria	-13.9	2.2	3.3	0.5	-1.7	1.0	-1.7	-1.4	-0.9	1.0	1.6	0.6
Czechia	-3.2	-0.4	0.5	1.1	-3.7	3.5	2.9	2.5	2.0	5.3	4.4	4.1
Denmark	3.5	7.2	7.1	8.7	11.7	9.5	12.7	13.3	13.1	10.2	9.6	9.3
Hungary	-3.9	4.7	2.2	-1.5	-6.7	1.4	2.8	2.6	2.4	2.7	2.1	2.1
Poland	-4.2	-1.2	0.9	-0.6	-2.7	2.0	0.5	1.3	1.0	1.1	1.1	1.1
Romania	-6.8	-0.5	-2.3	-5.5	-7.5	-5.0	-7.2	-6.5	-5.5	-6.0	-5.1	-4.3
Sweden	6.5	3.9	3.2	6.3	4.3	6.7	7.1	6.8	7.0	6.5	6.3	6.5
EU	0.3	2.5	2.9	3.5	1.6	2.7	3.1	3.0	3.1	3.5	3.4	3.4
EU, adjusted 2)	0.0	2.2	2.6	3.1	0.9	2.0	2.7	2.6	2.7	2.9	2.8	2.8
United Kingdom	-3.3	-4.0	-3.9	-0.5	-2.2	-3.7	-2.8	-2.8	-2.8	-2.6	-2.5	-2.5
Japan	3.5	1.5	3.5	3.8	2.0	3.7	4.7	4.3	4.2	4.4	4.5	4.7
United States	-4.3	-2.5	-2.2	-3.7	-3.9	-3.3	-3.7	-3.6	-3.4	-3.6	-3.4	-3.3

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources.

Table 50: **Current-account balance[1] (in billions of euro, 2018-2026)** 30.04.2025

							Spring 2025 Forecast			Autumn 2024 Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2024	2025	2026
Belgium	-6.7	0.6	4.3	9.4	-7.4	-3.8	-1.5	-4.5	-6.8	2.6	1.9	1.7
Germany	294.5	282.0	220.0	258.2	183.2	259.2	260.6	234.8	241.7	306.1	299.9	297.7
Estonia	0.1	0.6	-0.7	-1.1	-1.4	-0.7	-0.8	-0.9	-0.8	-0.6	-0.4	-0.3
Ireland	14.4	-75.4	-27.0	54.6	45.6	41.3	90.8	71.2	68.7	71.5	53.8	57.5
Greece	-7.4	-5.0	-13.8	-15.2	-22.4	-18.0	-19.7	-20.6	-20.9	-16.9	-18.8	-18.8
Spain	22.8	26.7	8.9	9.6	4.8	39.8	48.6	45.6	48.2	66.5	74.2	76.0
France	-16.8	10.4	-44.4	1.2	-51.0	-56.7	-26.5	-19.3	-18.7	-14.4	-8.9	-8.0
Croatia	0.4	1.2	-0.8	0.2	-2.3	0.6	-0.6	-1.0	-1.0	0.3	0.5	0.6
Italy	44.5	57.0	62.8	38.7	-34.5	2.9	19.8	29.7	35.9	24.9	26.9	32.8
Cyprus	-0.8	-1.3	-2.2	-1.4	-1.6	-3.0	-2.4	-2.3	-2.2	-3.1	-3.0	-3.0
Latvia	-0.1	-0.1	0.9	-1.3	-2.0	-1.5	-1.3	-1.6	-1.5	-1.3	-0.9	-1.0
Lithuania	0.2	1.8	3.6	0.8	-4.1	0.8	2.0	1.7	1.7	2.1	2.1	2.1
Luxembourg	2.4	-0.3	1.7	0.9	-3.0	-0.5	2.0	0.7	0.3	-3.7	-3.8	-3.7
Malta	1.4	1.1	0.6	0.6	-0.3	1.0	0.8	0.9	0.9	1.3	1.3	1.5
Netherlands	70.8	56.8	45.6	89.3	65.7	105.2	113.1	122.1	131.5	125.1	131.6	135.4
Austria	3.7	9.8	13.3	7.4	-3.4	6.8	9.8	12.0	11.7	8.2	7.5	7.6
Portugal	0.9	0.9	-1.9	-2.0	-5.5	0.7	5.0	3.7	2.8	2.6	1.9	1.2
Slovakia	-1.6	-3.4	-0.6	-4.5	-10.2	-0.1	-2.1	-3.1	-3.6	-1.7	-2.8	-2.1
Slovenia	3.0	3.1	3.6	1.9	-0.6	2.8	3.1	3.3	3.5	2.0	2.1	2.0
Finland	-3.7	-0.3	1.0	0.8	-6.4	-1.5	-2.1	-2.0	-2.1	-1.7	-2.6	-2.5
Euro area	421.9	366.3	274.8	448.2	143.2	375.3	498.5	470.4	489.3	569.7	562.4	576.7
Euro area, adjusted 2)	348.7	290.0	212.2	343.6	-14.7	243.2	425.9	397.8	416.7	449.1	441.7	456.0
Bulgaria	0.3	1.0	0.3	-0.2	-2.2	0.6	-0.9	-1.2	-1.2	0.3	-0.2	-1.4
Czechia	-1.0	-1.8	1.0	-1.2	-12.3	8.2	3.9	2.7	1.6	13.7	11.1	11.2
Denmark	19.0	23.0	22.6	30.0	44.6	37.0	51.7	57.1	58.4	41.3	41.2	41.6
Hungary	0.0	-1.1	-1.1	-6.1	-14.3	0.9	5.0	4.2	3.5	4.4	2.5	2.3
Poland	-10.2	-1.6	12.3	-8.2	-19.1	13.6	1.7	8.9	6.6	5.5	4.0	3.4
Romania	-9.7	-11.3	-11.3	-17.6	-27.0	-23.6	-30.2	-30.2	-28.8	-29.6	-29.3	-29.0
Sweden	8.7	23.6	27.1	33.8	23.2	36.5	39.7	40.4	43.5	36.6	36.6	39.2
EU	429.1	398.0	325.7	478.6	136.0	448.5	569.3	552.3	572.9	641.9	628.3	644.0
EU, adjusted 2)	383.4	344.7	306.6	421.9	19.5	326.9	493.5	476.5	497.0	535.7	522.1	537.7
United Kingdom	-95.5	-68.4	-69.4	-11.6	-62.3	-109.4	-89.4	-90.3	-91.7	-78.0	-80.2	-83.7
Japan	149.6	157.8	131.3	165.3	82.9	148.8	178.4	171.2	168.7	163.7	173.7	183.8
United States	-373.7	-399.6	-501.9	-743.7	-970.6	-847.1	-1004.9	-978.6	-934.5	-946.0	-932.1	-946.9

1) See note 7 on concepts and sources; 2) See note 8 on concepts and sources.

Table 51: Export markets (a) (percentage change on preceding year, 2018-2026) 30.04.2025

	2018	2019	2020	2021	2022	2023	Spring 2025 Forecast 2024	Spring 2025 Forecast 2025	Spring 2025 Forecast 2026	Autumn 2024 Forecast 2024	Autumn 2024 Forecast 2025	Autumn 2024 Forecast 2026
Belgium	4.2	3.4	-8.6	9.4	8.0	0.1	1.3	1.8	2.2	0.6	2.6	3.1
Germany	4.4	2.1	-8.1	11.2	7.4	0.2	1.5	1.8	2.2	1.4	2.9	3.1
Estonia	5.3	3.0	-6.3	10.7	8.3	-0.6	1.0	2.2	2.5	0.7	2.9	3.0
Ireland	4.4	1.5	-8.9	11.0	7.4	0.1	2.0	1.7	1.9	1.7	2.7	3.0
Greece	4.1	2.4	-8.8	11.1	9.8	0.9	2.0	2.3	2.6	1.8	3.1	3.4
Spain	3.8	2.4	-9.6	10.3	8.8	0.6	1.4	1.9	2.3	0.9	2.7	3.2
France	4.0	2.6	-8.7	10.6	7.8	0.3	1.8	1.8	2.2	1.4	2.8	3.1
Croatia	5.1	3.1	-8.8	12.4	8.9	-0.8	1.4	1.8	2.6	0.9	3.0	3.4
Italy	4.1	2.3	-8.7	10.6	7.8	0.7	1.7	1.8	2.2	1.6	2.8	3.1
Cyprus	5.1	2.9	-8.1	10.8	6.9	2.2	2.7	2.4	2.7	2.1	3.3	3.3
Latvia	5.7	3.9	-6.0	12.6	7.2	0.2	1.9	2.5	2.7	1.4	3.1	3.2
Lithuania	5.4	3.1	-6.6	11.0	7.0	1.2	1.5	2.1	2.5	0.9	2.9	3.1
Luxembourg	3.9	2.2	-9.6	10.2	8.2	-0.4	0.8	1.5	2.1	0.2	2.3	2.9
Malta	4.5	2.5	-8.7	10.1	8.3	0.2	1.8	2.0	2.4	1.5	2.9	3.3
Netherlands	4.0	2.8	-8.8	10.4	8.1	-0.5	1.0	1.5	2.1	0.6	2.5	3.0
Austria	4.6	2.8	-8.0	10.6	7.7	-0.2	1.3	1.6	2.1	0.8	2.7	3.2
Portugal	3.8	2.6	-10.5	10.4	8.3	0.1	1.7	2.0	2.2	1.2	2.6	3.1
Slovakia	5.1	2.7	-7.8	11.3	7.4	-0.2	0.9	1.6	2.4	0.5	2.8	3.3
Slovenia	4.5	2.5	-7.7	11.4	9.1	-0.2	1.0	2.0	2.4	1.1	2.9	3.2
Finland	4.6	2.2	-7.5	11.2	7.4	0.4	1.9	1.8	2.0	1.4	2.7	3.0
Euro area b)	4.2	2.4	-8.6	10.7	7.8	0.2	1.5	1.8	2.2	1.2	2.7	3.1
Bulgaria	5.1	2.9	-7.4	11.6	7.9	0.9	1.8	2.2	2.7	1.6	3.0	3.4
Czechia	4.9	3.0	-7.8	10.6	7.4	-0.7	1.0	1.6	2.2	0.6	2.6	3.1
Denmark	4.4	2.3	-8.2	10.5	8.0	0.2	2.1	1.9	2.1	1.5	2.7	3.1
Hungary	5.0	2.9	-8.1	11.5	7.7	-0.5	1.4	1.7	2.2	1.0	2.7	3.1
Poland	4.8	3.0	-8.0	10.4	7.3	0.1	1.2	1.8	2.3	0.6	2.6	3.1
Romania	4.4	2.5	-8.3	10.7	8.5	0.0	1.0	1.8	2.4	0.4	2.8	3.3
Sweden	4.4	2.6	-8.2	9.7	8.1	0.0	1.8	2.0	2.2	1.2	2.7	3.0
EU (b)	4.3	2.5	-8.5	10.7	7.8	0.1	1.5	1.8	2.2	1.1	2.7	3.1
United Kingdom	3.8	4.1	-7.8	9.8	7.6	0.7	2.6	2.0	2.1	2.5	3.0	3.2
Japan	5.0	-0.2	-8.4	12.6	5.1	1.2	3.2	1.9	2.2	3.3	3.2	3.3
United States	4.1	2.3	-8.9	10.3	7.3	1.6	2.1	1.5	2.0	2.0	2.7	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 52: Export performance (a) (percentage change on preceding year, 2018-2026) 30.04.2025

	2018	2019	2020	2021	2022	2023	Spring 2025 Forecast 2024	Spring 2025 Forecast 2025	Spring 2025 Forecast 2026	Autumn 2024 Forecast 2024	Autumn 2024 Forecast 2025	Autumn 2024 Forecast 2026
Belgium	-2.6	-0.4	2.9	4.8	-2.0	-7.0	-4.7	-3.6	-0.3	-2.6	-0.8	-0.5
Germany	-1.8	-0.1	-1.5	-1.1	-4.1	-0.5	-2.6	-3.6	-1.1	-1.4	-1.5	-0.5
Estonia	-2.3	2.0	2.3	10.3	-2.8	-8.0	-2.0	-0.1	-0.1	-0.8	0.1	0.0
Ireland	0.6	9.0	24.8	2.8	5.9	-6.3	9.2	-0.3	0.6	6.7	-1.4	0.8
Greece	4.9	2.5	-15.5	12.0	-2.9	1.0	-1.0	0.8	0.5	0.5	0.5	0.1
Spain	-2.0	-0.1	-11.8	2.8	5.7	2.7	1.9	0.8	-0.1	2.8	0.2	-0.5
France	-0.2	-0.5	-8.6	0.7	0.4	1.8	-0.5	-0.7	0.1	0.4	0.2	0.4
Italy	-1.9	-1.0	-5.5	3.1	2.0	-0.4	-1.3	-0.9	-0.5	-1.2	-0.5	-0.2
Cyprus	2.0	5.6	10.6	14.8	18.9	-5.0	2.4	1.2	0.9	5.5	0.2	-0.9
Latvia	-1.3	-4.3	6.1	-3.1	4.0	-4.9	-3.5	-0.7	-0.7	-3.2	-1.4	-0.8
Lithuania	1.4	6.9	7.0	5.0	5.0	-4.9	0.1	0.8	0.8	2.1	0.3	0.4
Luxembourg	-0.3	3.8	12.8	1.0	-6.3	0.1	-0.5	1.6	1.1	0.9	1.7	0.8
Malta	8.4	4.7	16.2	-9.5	5.0	5.5	3.4	1.4	0.5	1.6	0.3	-0.4
Netherlands	1.0	0.0	5.4	-3.2	-3.2	0.0	-0.5	-0.8	-0.3	-0.6	-0.2	-0.5
Austria	0.5	1.2	-2.8	-1.0	2.2	-0.2	-5.5	-2.5	-0.2	-2.8	-0.4	-0.5
Portugal	0.5	1.3	-9.0	1.6	8.5	3.8	1.6	-0.3	0.6	2.6	0.3	0.1
Slovenia	1.6	1.9	-1.0	2.8	-2.1	-1.7	2.1	0.3	0.6	-0.2	0.2	0.2
Slovakia	0.3	-1.3	1.5	-0.6	-4.3	-0.6	-0.6	0.2	-0.6	1.5	1.0	0.7
Finland	-2.7	4.7	-1.3	-4.7	-2.6	-0.4	-1.2	0.8	0.4	-1.4	0.4	-0.2
Euro area (b)	-0.8	0.7	-0.3	0.7	-0.3	-0.9	-0.4	-1.4	-0.2	0.2	-0.5	-0.1
Bulgaria	-3.1	1.1	-2.4	0.0	4.2	-0.5	-2.6	-0.6	-0.7	-0.9	0.0	-0.4
Czechia	-1.3	-1.6	-0.8	-2.2	-2.0	3.5	0.8	-0.5	0.2	0.4	-0.3	-0.2
Denmark	-0.8	2.0	1.9	-1.6	-0.9	9.3	5.4	3.6	0.4	3.2	-0.7	-0.6
Croatia	-1.4	3.7	-16.5	18.1	16.7	-1.8	-0.6	0.5	0.0	-0.5	-0.1	-0.2
Hungary	-0.1	2.5	2.2	-2.9	2.8	2.3	-4.3	-1.5	0.5	-2.7	-0.2	2.1
Poland	1.9	2.3	7.5	1.7	0.2	3.5	0.8	-0.2	0.1	0.3	-0.2	-0.1
Romania	0.8	2.8	-1.3	1.8	1.0	-0.7	-4.2	-0.1	0.4	-2.4	-0.6	-0.8
Sweden	0.1	4.3	2.9	2.0	-1.6	4.0	0.7	0.0	-0.3	0.6	-0.8	-0.2
EU (b)	-0.7	0.9	0.2	0.6	-0.3	-0.1	-0.2	-1.1	-0.2	0.2	-0.5	-0.1
United Kingdom	-0.7	-2.0	-4.3	-6.0	4.6	-0.7	-3.3	-1.5	-0.6	-3.8	-2.1	-1.9
Japan	-1.2	-1.2	-3.5	-0.6	0.4	1.9	-2.1	-0.1	-0.9	-3.0	-0.7	-1.1
United States	-1.3	-1.8	-4.7	-3.5	0.3	1.2	1.1	0.2	-0.4	1.2	0.2	0.1

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

Table 53: **World GDP, volume (percentage change on preceding year, 2020-2026)** 30.04.2025

						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	(a)	2020	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
EU	14.3	-5.6	6.3	3.5	0.5	**1.0**	**1.1**	**1.5**	*0.9*	*1.5*	*1.8*
Euro area	11.6	-6.0	6.3	3.5	0.4	**0.9**	**0.9**	**1.4**	*0.8*	*1.3*	*1.6*
Belgium	0.4	-4.8	6.2	4.3	1.2	**1.0**	**0.8**	**0.9**	*1.1*	*1.2*	*1.5*
Bulgaria	0.1	-3.2	7.8	4.0	1.9	**2.8**	**2.0**	**2.1**	*2.4*	*2.9*	*3.0*
Czechia	0.3	-5.3	4.0	2.8	-0.1	**1.1**	**1.9**	**2.1**	*1.0*	*2.4*	*2.7*
Denmark	0.3	-1.8	7.4	1.5	2.5	**3.7**	**3.6**	**2.0**	*2.4*	*2.5*	*1.8*
Germany	3.1	-4.1	3.7	1.4	-0.3	**-0.2**	**0.0**	**1.1**	*-0.1*	*0.7*	*1.3*
Estonia	0.0	-2.9	7.2	0.1	-3.0	**-0.3**	**1.1**	**2.3**	*-1.0*	*1.1*	*2.6*
Ireland	0.4	7.2	16.3	8.6	-5.5	**1.2**	**3.4**	**2.5**	*-0.5*	*4.0*	*3.6*
Greece	0.2	-9.2	8.7	5.7	2.3	**2.3**	**2.3**	**2.2**	*2.1*	*2.3*	*2.2*
Spain	1.4	-10.9	6.7	6.2	2.7	**3.2**	**2.6**	**2.0**	*3.0*	*2.3*	*2.1*
France	2.2	-7.4	6.9	2.6	0.9	**1.2**	**0.6**	**1.3**	*1.1*	*0.8*	*1.4*
Croatia	0.1	-8.3	12.6	7.3	3.3	**3.9**	**3.2**	**2.9**	*3.6*	*3.3*	*2.9*
Italy	1.8	-8.9	8.9	4.8	0.7	**0.7**	**0.7**	**0.9**	*0.7*	*1.0*	*1.2*
Cyprus	0.0	-3.2	11.4	7.2	2.8	**3.4**	**3.0**	**2.5**	*3.6*	*2.8*	*2.5*
Latvia	0.0	-3.5	6.9	1.8	2.9	**-0.4**	**0.5**	**2.0**	*0.0*	*1.0*	*2.1*
Lithuania	0.1	0.0	6.4	2.5	0.3	**2.8**	**2.8**	**3.1**	*2.2*	*3.0*	*3.0*
Luxembourg	0.1	-0.5	6.9	-1.1	-0.7	**1.0**	**1.7**	**2.0**	*1.2*	*2.3*	*2.2*
Hungary	0.2	-4.3	7.2	4.3	-0.8	**0.5**	**0.8**	**2.5**	*0.6*	*1.8*	*3.1*
Malta	0.0	-3.4	13.3	4.3	6.8	**6.0**	**4.1**	**4.0**	*5.0*	*4.3*	*4.3*
Netherlands	0.7	-3.9	6.3	5.0	0.1	**1.0**	**1.3**	**1.2**	*0.8*	*1.6*	*1.5*
Austria	0.3	-6.3	4.8	5.3	-1.0	**-1.2**	**-0.3**	**1.0**	*-0.6*	*1.0*	*1.4*
Poland	1.0	-2.0	6.9	5.3	0.2	**2.9**	**3.3**	**3.0**	*3.0*	*3.6*	*3.1*
Portugal	0.3	-8.2	5.6	7.0	2.6	**1.9**	**1.8**	**2.2**	*1.7*	*1.9*	*2.1*
Romania	0.5	-3.7	5.5	4.0	2.4	**0.8**	**1.4**	**2.2**	*1.4*	*2.5*	*2.9*
Slovenia	0.1	-4.1	8.4	2.7	2.1	**1.6**	**2.0**	**2.4**	*1.4*	*2.5*	*2.6*
Slovakia	0.1	-2.6	5.7	0.4	2.2	**2.1**	**1.5**	**1.4**	*2.2*	*2.3*	*2.5*
Finland	0.2	-2.5	2.7	0.8	-0.9	**-0.1**	**1.0**	**1.3**	*-0.3*	*1.5*	*1.6*
Sweden	0.4	-2.0	5.9	1.5	-0.1	**1.0**	**1.1**	**1.9**	*0.3*	*1.8*	*2.6*
Candidate Countries	2.4	0.2	9.6	-1.4	5.0	**3.3**	**2.7**	**3.7**	*3.2*	*3.2*	*4.3*
- Albania	0.0	-3.3	9.0	4.8	3.9	**4.0**	**3.6**	**3.5**	*3.8*	*3.6*	*3.5*
- Bosnia and Herzegovina	0.0	-3.0	7.4	4.2	2.0	**2.5**	**2.0**	**2.3**	*2.3*	*2.4*	*3.0*
- Georgia	0.1	-6.3	10.6	11.0	7.8	**9.4**	**6.0**	**5.2**	*8.5*	*5.8*	*5.3*
- Moldova	0.0	-8.3	13.9	-4.6	1.2	**0.1**	**0.9**	**2.8**	*2.6*	*3.8*	*4.2*
- Montenegro	0.0	-15.3	13.0	6.4	6.3	**3.0**	**3.0**	**3.2**	*3.9*	*4.2*	*3.0*
- North Macedonia	0.0	-4.7	4.5	2.8	2.1	**2.8**	**3.0**	**3.1**	*2.0*	*2.6*	*2.9*
- Serbia	0.1	-1.0	7.9	2.6	3.8	**3.9**	**3.2**	**3.8**	*3.9*	*4.2*	*4.3*
- Türkiye	1.8	1.9	11.4	5.5	5.1	**3.2**	**2.8**	**3.5**	*3.0*	*3.2*	*4.0*
- Ukraine	0.3	-3.8	3.4	-28.8	5.5	**2.9**	**2.0**	**4.7**	*3.5*	*2.8*	*5.9*
Iceland	0.0	-6.9	5.0	9.0	5.6	**0.5**	**1.7**	**2.7**	*1.1*	*2.5*	*2.4*
Norway	0.3	-1.3	3.9	3.2	0.1	**2.1**	**1.5**	**1.4**	*1.0*	*1.5*	*1.8*
Switzerland	0.4	-2.1	5.6	3.0	0.7	**1.3**	**0.8**	**1.5**	*1.8*	*1.5*	*2.0*
Australia	1.0	-2.0	5.4	4.1	2.0	**1.1**	**1.9**	**2.0**	*1.4*	*2.0*	*2.2*
Canada	1.3	-5.0	6.0	4.2	1.5	**1.5**	**1.2**	**1.3**	*1.2*	*2.0*	*2.1*
Japan	3.3	-4.2	2.7	0.9	1.5	**0.1**	**0.7**	**0.6**	*0.2*	*1.2*	*1.0*
Korea	1.7	-0.7	4.6	2.7	1.4	**2.0**	**1.1**	**1.5**	*2.3*	*2.1*	*2.5*
United Kingdom	2.2	-10.3	8.6	4.8	0.4	**1.1**	**1.0**	**1.3**	*1.0*	*1.4*	*1.4*
United States	14.9	-2.2	6.1	2.5	2.9	**2.8**	**1.6**	**1.6**	*2.7*	*2.1*	*2.2*
Advanced economies	43.7	-3.8	6.2	2.8	1.8	**1.9**	**1.5**	**1.7**	*1.8*	*1.9*	*2.1*
Emerging and Developing Asia	35.6	-0.9	7.5	4.6	5.8	**5.2**	**4.7**	**4.7**	*5.3*	*5.1*	*5.0*
- China	19.5	2.3	8.6	3.1	5.4	**5.0**	**4.1**	**4.0**	*4.9*	*4.6*	*4.4*
- India	8.3	-5.8	9.7	7.6	9.2	**6.5**	**6.4**	**6.4**	*7.2*	*6.9*	*6.7*
- Indonesia	2.4	-2.1	3.7	5.3	5.0	**5.0**	**5.0**	**5.5**	*5.0*	*5.2*	*5.1*
Eastern Neighbourhood and Central Asia	1.1	-1.8	4.6	3.4	4.6	**4.9**	**4.3**	**3.8**	*4.1*	*4.1*	*3.5*
Russia	3.5	-2.7	5.9	-1.4	4.1	**4.3**	**1.7**	**1.2**	*3.5*	*1.8*	*1.6*
Latin America	7.3	-7.1	7.4	4.0	2.3	**2.1**	**1.8**	**1.8**	*1.8*	*2.4*	*2.6*
- Argentina	0.7	-9.9	10.4	5.3	-1.6	**-1.7**	**5.0**	**3.4**	*-3.5*	*3.8*	*2.9*
- Brazil	2.4	-3.3	4.8	3.0	3.2	**3.4**	**2.0**	**1.5**	*3.1*	*2.3*	*2.4*
- Mexico	1.7	-8.4	6.0	3.7	3.3	**1.5**	**-0.6**	**0.5**	*1.4*	*1.4*	*2.2*
MENA	5.5	-2.2	4.6	5.9	2.1	**2.2**	**3.2**	**3.7**	*2.3*	*3.7*	*3.5*
- Saudi Arabia	1.1	-3.6	5.1	7.5	-0.8	**1.3**	**3.1**	**3.8**	*1.4*	*4.5*	*4.0*
Sub-Saharan Africa	3.3	-2.0	4.3	3.6	2.5	**2.9**	**3.7**	**4.1**	*2.9*	*4.1*	*4.5*
- South Africa	0.5	-6.2	5.0	1.9	0.7	**0.6**	**1.4**	**1.5**	*1.1*	*1.6*	*1.7*
Emerging and Developing Economies	56.3	-2.1	6.8	4.2	4.6	**4.3**	**3.9**	**4.0**	*4.3*	*4.4*	*4.3*
World	100.0	-2.9	6.5	3.5	3.4	**3.3**	**2.9**	**3.0**	*3.2*	*3.3*	*3.3*
World excluding EU	85.6	-2.4	6.6	3.5	3.9	**3.6**	**3.1**	**3.2**	*3.5*	*3.6*	*3.6*
World excluding euro area	88.4	-2.4	6.6	3.5	3.8	**3.6**	**3.1**	**3.2**	*3.5*	*3.6*	*3.6*

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

Table 54: World exports of goods and services, volume (percentage change on preceding year, 2020-2026) 30.04.2025

						Spring 2025 Forecast			Autumn 2024 Forecast		
	(a)	2020	2021	2022	2023	2024	2025	2026	2024	2025	2026
EU (b)	31.1	-8.2	11.3	7.4	0.1	**1.2**	**0.7**	**2.1**	*1.4*	*2.2*	*3.0*
Euro area (20) (b)	25.7	-8.7	11.5	7.4	-0.8	**1.1**	**0.3**	**2.0**	*1.5*	*2.2*	*3.0*
Candidate Countries	1.7	-13.3	18.6	2.0	-2.0	**1.9**	**1.7**	**4.7**	*2.9*	*3.8*	*5.6*
- Albania	0.0	-27.7	52.1	17.0	9.5	**-0.8**	**3.6**	**3.6**	*4.0*	*5.2*	*4.9*
- Bosnia and Herzegovina	0.0	-14.8	25.4	11.8	-1.2	**-3.1**	**2.4**	**2.8**	*0.0*	*3.3*	*3.4*
- Georgia	0.1	-37.6	23.5	37.4	9.5	**5.9**	**6.4**	**5.4**	*6.9*	*6.9*	*5.4*
- Moldova	0.0	-14.9	17.5	29.7	4.8	**-5.2**	**3.9**	**5.4**	*0.5*	*6.0*	*7.0*
- Montenegro	0.0	-47.6	81.9	22.7	9.0	**-3.2**	**-0.1**	**3.3**	*3.4*	*4.2*	*4.3*
- North Macedonia	0.0	-10.9	14.3	10.6	-0.6	**-3.8**	**2.8**	**3.9**	*2.6*	*3.0*	*3.1*
- Serbia	0.1	-4.6	20.4	17.0	2.7	**3.2**	**3.0**	**4.4**	*4.2*	*4.6*	*4.9*
- Türkiye	1.2	-14.6	25.1	9.9	-2.8	**0.9**	**1.2**	**3.9**	*2.0*	*3.2*	*5.1*
- Ukraine	0.2	-5.8	-8.6	-42.0	-5.9	**10.3**	**1.8**	**11.4**	*7.7*	*5.5*	*10.7*
Iceland	0.0	-30.7	14.8	22.1	6.3	**-1.2**	**2.0**	**2.8**	*1.2*	*3.9*	*3.8*
Norway	0.7	-2.3	6.1	5.2	0.4	**5.7**	**1.2**	**1.4**	*2.9*	*1.9*	*2.4*
Switzerland	2.1	-5.2	13.7	6.1	0.7	**-0.3**	**1.9**	**2.5**	*3.0*	*2.0*	*3.2*
Australia	1.3	-9.6	-2.3	2.6	6.9	**2.0**	**2.2**	**2.5**	*2.0*	*3.6*	*2.6*
Canada	2.3	-9.0	3.3	4.2	4.9	**1.1**	**-0.2**	**-0.8**	*1.1*	*1.2*	*1.2*
Japan	2.9	-11.6	11.9	5.5	3.0	**1.0**	**1.8**	**1.3**	*0.2*	*2.5*	*2.2*
Korea	2.6	-1.7	10.8	3.9	3.6	**6.9**	**1.4**	**2.0**	*6.6*	*1.8*	*3.4*
United Kingdom	3.5	-11.8	3.2	12.6	-0.4	**-1.2**	**0.4**	**1.5**	*-1.6*	*0.9*	*1.3*
United States	10.1	-13.1	6.5	7.5	2.8	**3.3**	**1.7**	**1.6**	*3.3*	*2.9*	*3.1*
Advanced economies	65.6	-8.6	10.0	6.0	1.0	**1.9**	**1.1**	**2.0**	*2.0*	*2.4*	*2.9*
Emerging and Developing Asia	19.3	-5.0	18.8	2.5	1.5	**8.1**	**2.2**	**2.0**	*6.5*	*4.3*	*3.6*
- China	12.0	-3.2	18.5	-0.2	1.8	**11.1**	**1.2**	**0.4**	*8.4*	*4.2*	*2.9*
- India	2.6	-7.0	29.6	10.3	2.2	**4.9**	**5.4**	**6.0**	*5.4*	*6.0*	*6.2*
- Indonesia	1.0	-9.1	20.5	0.9	4.4	**0.6**	**3.5**	**5.6**	*0.6*	*4.0*	*6.0*
Easter Neighbourhood and Central Asia	0.8	-9.8	2.5	7.8	12.0	**5.2**	**3.9**	**3.9**	*5.2*	*6.2*	*4.1*
Russia	1.5	-4.2	3.2	-13.8	-11.0	**3.0**	**0.5**	**0.0**	*0.0*	*3.5*	*2.5*
Latin America	5.4	-9.4	7.7	7.6	-1.2	**3.4**	**0.5**	**0.9**	*2.7*	*3.6*	*3.4*
- Argentina	0.3	-12.8	12.6	-5.2	-13.4	**19.4**	**4.6**	**3.5**	*18.9*	*3.7*	*4.3*
- Brazil	1.2	-1.3	2.3	6.1	9.4	**4.6**	**3.1**	**2.6**	*4.2*	*4.1*	*4.1*
- Mexico	2.2	-7.0	7.1	9.5	-7.2	**0.6**	**-3.0**	**-2.1**	*-0.7*	*3.2*	*2.8*
MENA	6.0	-10.1	5.0	12.6	3.6	**2.7**	**5.1**	**5.3**	*1.3*	*6.2*	*5.4*
- Saudi Arabia	1.1	-14.5	5.7	24.5	-1.6	**3.1**	**7.1**	**8.3**	*0.7*	*10.6*	*9.1*
Sub-Saharan Africa	1.4	-10.1	-0.8	4.6	0.6	**4.6**	**3.9**	**4.8**	*3.8*	*5.0*	*6.4*
- South Africa	0.4	-12.0	9.7	6.8	3.7	**2.3**	**1.3**	**1.9**	*2.3*	*3.7*	*3.9*
Emerging and developing economies	34.4	-6.9	13.2	4.1	1.0	**5.9**	**2.5**	**2.5**	*4.5*	*4.6*	*4.0*
World	100.0	-8.1	11.1	5.3	1.0	**3.3**	**1.6**	**2.2**	*2.9*	*3.1*	*3.3*
World excluding EU	68.9	-8.0	10.9	4.4	1.4	**4.2**	**2.0**	**2.2**	*3.5*	*3.5*	*3.4*
World excluding euro area	74.3	-7.8	10.9	4.6	1.6	**4.0**	**2.0**	**2.2**	*3.4*	*3.4*	*3.4*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2024.
(b) Intra- and extra-EU trade.

Table 55: Shares of main trading partners in goods export of EU and Member States (2023) 30.04.2025

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	61.3	49.0	2.9	7.8	5.3	1.0	7.5	3.7	1.0	0.6	3.1	2.5	1.2
Euro area	59.3	47.8	2.6	8.5	5.6	1.1	7.9	4.0	1.1	0.6	3.2	2.6	1.3
Belgium	69.7	61.7	1.5	5.3	6.2	0.8	4.3	1.5	0.7	0.4	2.6	2.3	2.6
Bulgaria	64.3	45.1	13.6	2.8	1.6	0.2	3.2	2.8	0.8	0.9	5.7	0.7	0.6
Czechia	80.2	65.3	3.1	2.7	3.1	0.5	3.5	1.6	0.4	0.5	1.5	1.1	0.4
Denmark	57.7	38.4	1.6	8.4	5.2	1.6	10.9	4.2	1.5	0.3	2.5	3.4	0.8
Germany	55.0	38.6	2.8	9.7	5.2	1.3	9.6	6.2	1.3	0.7	2.4	2.9	0.9
Estonia	73.7	56.2	2.4	3.3	2.1	0.8	7.6	1.6	0.5	2.1	1.1	1.2	0.6
Ireland	39.6	36.4	0.6	28.2	9.9	2.1	5.6	5.5	2.1	0.3	1.6	2.0	0.5
Greece	52.3	39.2	10.9	3.9	3.8	1.0	4.0	1.1	1.4	0.3	12.7	1.4	1.3
Spain	62.4	55.9	2.8	5.3	5.9	1.0	5.1	2.1	0.8	0.4	5.6	5.1	1.3
France	53.6	46.9	2.4	7.9	6.7	1.3	9.8	4.9	1.4	0.6	4.8	2.4	1.8
Croatia	67.2	53.2	16.9	3.2	1.6	0.3	2.9	0.5	0.6	1.2	1.9	0.6	1.5
Italy	50.6	41.6	3.7	10.9	4.3	1.5	10.4	3.6	1.2	0.9	5.7	3.4	1.1
Cyprus	31.0	24.1	0.9	2.0	5.3	0.0	5.2	0.6	7.4	0.3	27.4	8.9	5.2
Latvia	66.0	50.6	3.8	2.7	4.8	0.3	4.1	1.1	0.4	6.0	1.2	0.7	4.1
Lithuania	63.3	44.6	5.1	5.1	4.0	0.3	5.3	0.4	0.6	3.3	2.3	1.1	2.2
Luxembourg	76.0	68.9	1.8	3.2	3.4	0.4	6.4	1.3	0.5	0.2	2.1	1.9	0.9
Hungary	75.7	58.5	5.1	4.9	2.8	0.7	3.2	2.0	0.5	0.7	1.3	1.7	0.3
Malta	39.7	34.5	1.1	3.1	2.7	3.3	14.9	5.8	1.0	0.2	4.3	2.3	20.3
Netherlands	71.3	60.9	1.2	4.7	6.8	0.5	5.6	2.4	0.6	0.3	1.8	1.7	1.4
Austria	68.3	53.5	2.2	7.6	2.6	0.9	8.5	2.9	0.8	0.6	1.6	2.1	0.6
Poland	74.9	59.5	4.7	3.4	4.9	0.3	3.6	1.1	0.4	0.9	1.6	1.4	0.8
Portugal	65.8	60.4	1.9	7.2	4.8	0.6	5.2	2.2	0.3	0.2	3.8	2.7	3.9
Romania	68.7	52.5	9.1	3.1	3.8	1.1	3.1	1.8	0.7	0.5	5.0	1.1	0.4
Slovenia	59.8	45.9	6.2	3.5	1.2	0.4	22.7	0.7	0.4	1.2	1.6	0.6	0.2
Slovakia	74.7	44.1	3.5	5.7	3.3	0.4	3.4	4.4	0.1	0.6	1.9	1.0	0.3
Finland	55.6	38.7	2.2	9.8	3.4	1.7	9.7	5.2	1.4	1.6	2.2	2.9	1.3
Sweden	55.8	42.6	1.8	9.0	5.1	1.2	13.2	4.2	0.9	0.6	2.7	2.6	1.0

Table 56: World imports of goods and services, volume (percentage change on preceding year, 2020-2026) 30.04.2025

						Spring 2025 Forecast			Autumn 2024 Forecast		
	(a)	2020	2021	2022	2023	2024	2025	2026	2024	2025	2026
EU (b)	29.4	-7.6	9.6	8.3	-1.3	**0.6**	**1.7**	**2.3**	*0.2*	*2.6*	*3.0*
Euro area (b)	24.2	-8.2	9.0	8.4	-1.4	**0.3**	**1.6**	**2.2**	*0.0*	*2.5*	*3.0*
Candidate Countries	1.9	0.6	7.0	5.1	9.0	**-0.3**	**2.3**	**4.0**	*0.9*	*3.4*	*4.9*
- Albania	0.0	-19.8	32.5	11.5	0.2	**6.0**	**5.0**	**3.4**	*6.3*	*4.7*	*4.2*
- Bosnia and Herzegovina	0.1	-13.4	20.6	6.2	-1.3	**2.8**	**2.2**	**3.1**	*2.3*	*4.0*	*2.5*
- Georgia	0.1	-16.6	8.8	16.9	10.0	**8.5**	**7.4**	**5.8**	*9.6*	*6.2*	*5.0*
- Moldova	0.0	-9.5	21.2	18.2	-5.1	**5.1**	**6.0**	**5.3**	*1.7*	*3.4*	*3.8*
- Montenegro	0.0	-20.1	13.7	21.3	5.9	**5.5**	**4.4**	**4.0**	*3.5*	*4.4*	*4.0*
- North Macedonia	0.0	-10.9	14.8	13.6	-5.8	**-0.6**	**3.7**	**4.2**	*3.5*	*4.3*	*4.1*
- Serbia	0.2	-4.0	17.7	16.2	-1.6	**8.3**	**4.8**	**5.5**	*7.2*	*5.7*	*5.9*
- Türkiye	1.2	6.8	1.7	8.6	11.8	**-4.1**	**0.6**	**3.3**	*-2.2*	*2.3*	*4.7*
- Ukraine	0.3	-6.4	14.2	-17.4	8.9	**7.7**	**5.5**	**6.0**	*7.3*	*5.8*	*5.8*
Iceland	0.0	-20.6	20.5	20.1	-1.0	**2.7**	**4.2**	**1.4**	*2.7*	*2.9*	*3.1*
Norway	0.5	-9.9	1.8	13.3	-1.5	**3.7**	**2.0**	**2.5**	*1.3*	*2.6*	*3.4*
Switzerland	1.9	-3.2	5.8	5.8	2.7	**0.4**	**2.3**	**2.2**	*2.4*	*2.3*	*3.1*
Australia	1.3	-12.0	5.3	13.7	6.8	**4.8**	**1.9**	**2.8**	*4.8*	*2.2*	*3.0*
Canada	2.4	-9.4	8.3	7.5	0.4	**0.6**	**-0.6**	**-0.8**	*0.6*	*1.1*	*1.1*
Japan	3.1	-6.8	5.2	8.3	-1.5	**1.3**	**1.6**	**1.3**	*0.0*	*2.7*	*2.2*
Korea	2.5	-3.3	10.2	4.2	3.5	**2.4**	**1.7**	**2.1**	*2.5*	*2.8*	*2.4*
United Kingdom	3.8	-15.9	5.8	13.0	-1.2	**2.7**	**1.6**	**1.5**	*0.9*	*0.6*	*1.5*
United States	13.4	-9.0	14.7	8.6	-1.2	**5.3**	**1.4**	**-0.3**	*5.6*	*3.3*	*2.9*
Advanced economies	66.7	-7.8	10.2	7.4	-0.5	**2.1**	**1.7**	**1.9**	*1.9*	*2.6*	*2.9*
Emerging and Developing Asia	18.4	-9.0	14.1	1.3	5.0	**3.7**	**2.2**	**3.3**	*3.9*	*4.0*	*3.9*
- China	10.6	-7.4	11.1	-3.0	6.3	**3.3**	**0.4**	**1.9**	*3.3*	*3.0*	*3.0*
- India	3.0	-12.6	22.1	8.9	13.8	**5.9**	**6.6**	**6.4**	*7.1*	*7.6*	*6.2*
- Indonesia	0.9	-14.5	14.2	8.3	-3.1	**4.8**	**4.5**	**5.7**	*4.8*	*5.4*	*6.1*
Eastern Neighbourhood and Central Asia	0.8	-16.9	-2.9	8.9	23.8	**5.8**	**3.2**	**3.8**	*5.6*	*5.0*	*3.8*
Russia	1.3	-11.9	19.1	-14.3	13.0	**0.0**	**1.0**	**2.0**	*-0.5*	*3.7*	*2.3*
Latin America	5.7	-12.3	18.5	7.1	1.2	**1.4**	**1.3**	**1.6**	*1.3*	*3.3*	*3.3*
- Argentina	0.3	-10.3	29.7	12.7	5.8	**-12.9**	**6.9**	**4.1**	*-15.3*	*6.7*	*4.1*
- Brazil	1.2	-8.5	16.7	0.7	0.8	**2.9**	**2.5**	**1.9**	*1.4*	*2.6*	*2.5*
- Mexico	2.3	-12.0	15.7	8.6	3.7	**2.0**	**-1.6**	**-0.6**	*2.6*	*2.1*	*2.8*
MENA	5.7	-15.5	7.4	11.6	6.4	**3.0**	**3.1**	**3.7**	*3.0*	*4.1*	*4.0*
- Saudi Arabia	1.1	-16.6	5.0	10.6	15.2	**7.6**	**4.4**	**5.5**	*5.2*	*8.2*	*5.6*
Sub-Saharan Africa	1.5	-11.6	-0.4	9.6	-2.8	**5.0**	**4.2**	**5.2**	*4.1*	*5.8*	*6.5*
- South Africa	0.4	-17.6	9.6	15.0	3.9	**3.8**	**2.8**	**3.0**	*2.8*	*4.3*	*4.6*
Emerging and Developing Economies	33.3	-11.1	12.9	3.6	4.9	**3.2**	**2.2**	**3.1**	*3.2*	*4.0*	*3.9*
World	100.0	-8.8	11.0	6.2	1.3	**2.4**	**1.9**	**2.3**	*2.3*	*3.1*	*3.2*
World excluding EU	70.6	-9.4	11.7	5.2	2.4	**3.2**	**2.0**	**2.2**	*3.2*	*3.3*	*3.3*
World excluding euro area	75.8	-9.1	11.7	5.4	2.2	**3.1**	**2.0**	**2.3**	*3.1*	*3.3*	*3.3*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2024.
(b) Intra- and extra-EU trade.

Table 57: Shares of main trading partners in goods imports of EU and member states (2023) 30.04.2025

	EU	Euro Area	Candidate Countries	USA	United Kingdom	Japan	Other Advanced Economies	China	Rest of Asia	Russia	MENA	Latin America	Sub-Saharan Africa
EU	61.7	49.2	2.4	5.2	3.0	1.1	7.0	7.5	2.0	1.5	3.0	1.8	1.3
Euro area	60.1	48.2	2.1	5.8	3.3	1.1	7.1	7.5	2.1	1.5	3.4	2.0	1.5
Belgium	62.5	56.3	1.1	7.1	3.9	1.6	6.8	6.1	1.7	1.0	2.4	1.9	1.6
Bulgaria	62.4	43.3	13.8	1.0	0.9	0.3	2.7	5.2	1.0	5.9	1.6	2.0	0.6
Czechia	74.8	57.8	2.2	1.9	1.3	1.1	3.4	9.9	1.6	1.2	0.3	0.4	0.2
Denmark	65.8	46.8	1.3	4.3	2.4	0.5	12.2	6.4	1.9	0.9	0.4	1.8	0.3
Germany	65.6	45.9	2.2	5.2	2.5	1.3	8.2	6.8	2.2	0.8	1.4	1.4	0.9
Estonia	77.9	59.0	1.2	1.3	1.2	0.6	2.7	3.6	0.6	7.8	0.4	0.4	0.6
Ireland	39.9	35.7	0.7	14.6	23.1	1.4	7.1	5.2	1.6	0.2	0.8	1.3	0.4
Greece	47.9	38.5	5.5	1.9	1.4	0.4	3.5	11.1	0.9	4.1	13.1	1.6	0.9
Spain	56.1	48.9	2.8	5.5	2.5	0.8	3.9	8.5	2.4	0.7	6.3	4.9	2.8
France	65.2	57.5	1.5	5.8	3.5	0.8	6.0	5.5	1.5	0.8	4.7	1.1	1.6
Croatia	73.7	58.1	8.4	2.5	0.4	0.2	1.6	4.4	0.5	1.9	0.9	0.7	1.5
Italy	56.2	46.9	3.0	4.3	1.7	0.9	6.3	7.4	1.9	1.8	7.5	1.7	1.4
Cyprus	60.9	55.0	2.7	1.2	7.1	4.1	4.6	6.4	1.4	0.4	2.7	2.2	0.3
Latvia	73.4	56.6	2.4	2.2	1.3	0.1	4.0	3.4	1.4	7.3	0.3	1.1	0.5
Lithuania	67.3	45.7	2.4	6.1	1.9	0.2	6.1	3.9	0.6	5.7	3.3	0.4	0.2
Luxembourg	85.2	80.7	0.9	5.2	1.6	1.7	2.5	1.2	0.5	0.0	0.3	0.2	0.3
Hungary	72.0	55.2	3.8	1.8	1.0	1.2	7.2	7.2	1.4	2.7	0.3	0.4	0.1
Malta	42.5	40.5	5.1	2.3	3.1	1.0	11.9	7.4	1.0	5.2	15.5	1.8	0.2
Netherlands	41.8	35.2	1.1	9.8	4.3	1.6	9.1	13.6	3.9	2.3	2.4	3.8	2.8
Austria	77.8	63.9	2.2	2.5	1.0	0.7	6.8	2.8	1.6	1.8	1.1	0.3	0.1
Poland	66.5	54.4	3.0	2.8	1.7	0.9	6.2	9.1	1.6	2.3	2.9	1.2	0.4
Portugal	73.6	68.3	1.5	2.1	1.3	0.5	3.7	5.0	1.0	0.5	2.2	4.1	2.6
Romania	71.2	50.7	9.5	1.0	1.0	0.4	2.5	5.6	0.7	1.0	2.1	0.6	0.2
Slovenia	49.7	40.9	7.5	0.5	0.4	0.3	22.7	12.1	0.8	0.2	1.9	0.9	0.2
Slovakia	80.4	42.8	2.6	0.5	1.2	0.1	4.4	4.0	1.6	4.0	0.5	0.1	0.0
Finland	67.4	42.6	1.0	3.5	1.9	0.5	10.3	4.2	0.9	7.1	0.4	1.8	0.2
Sweden	68.7	54.0	1.2	4.0	3.2	0.8	11.9	5.2	1.6	0.2	0.7	0.9	0.7

Table 58: World merchandise trade balances (fob-fob, in billions of US dollar, 2019-2026) 30.04.2025

						Spring 2025 Forecast			*Autumn 2024 Forecast*		
	2019	2020	2021	2022	2023	2024	2025	2026	*2024*	*2025*	*2026*
EU	396.5	452.0	386.1	4.8	387.6	**497.4**	**533.9**	**562.7**	*530.5*	*530.4*	*539.8*
EU, adjusted[1)]	266.3	304.4	227.1	-119.4	251.4	**354.9**	**362.8**	**370.6**	*365.5*	*367.0*	*375.0*
Euro area	379.9	414.9	383.8	51.8	343.4	**449.7**	**471.8**	**499.0**	*480.1*	*485.2*	*494.9*
Euro area, adjusted[1)]	280.7	299.6	247.1	-43.4	243.7	**343.6**	**341.3**	**349.1**	*352.2*	*358.0*	*366.2*
Candidate Countries	-57.1	-67.7	-65.0	-140.8	-151.0	**-126.7**	**-136.9**	**-157.7**	*-136.3*	*-163.7*	*-186.5*
- Albania	-3.5	-3.4	-4.5	-4.5	-4.9	**-6.0**	**-6.7**	**-7.3**	*-5.9*	*-6.4*	*-6.9*
- Bosnia and Herzegovina	-4.6	-3.7	-4.3	-5.5	-5.7	**-6.5**	**-6.9**	**-7.4**	*-6.2*	*-6.6*	*-6.8*
- Georgia	-3.8	-3.2	-3.8	-5.1	-6.1	**-6.5**	**-7.2**	**-8.2**	*-6.3*	*-6.9*	*-7.5*
- Moldova	-3.3	-3.1	-4.2	-5.2	-4.9	**-5.6**	**-6.4**	**-7.1**	*-5.1*	*-5.2*	*-5.3*
- Montenegro	-2.3	-1.9	-2.3	-2.8	-3.2	**-3.5**	**-3.9**	**-4.2**	*-3.5*	*-3.7*	*-3.9*
- North Macedonia	-2.2	-2.1	-2.8	-3.7	-2.8	**-3.3**	**-3.8**	**-4.1**	*-3.2*	*-3.5*	*-3.9*
- Serbia	-6.3	-5.8	-6.7	-9.5	-6.9	**-8.5**	**-10.1**	**-11.8**	*-8.0*	*-9.1*	*-10.3*
- Türkiye	-16.8	-37.9	-29.7	-90.0	-87.4	**-56.2**	**-57.4**	**-71.4**	*-66.5*	*-85.0*	*-103.0*
- Ukraine	-14.3	-6.7	-6.6	-14.7	-29.2	**-30.4**	**-34.4**	**-36.3**	*-31.6*	*-37.3*	*-38.8*
- Iceland	-0.8	-0.6	-1.0	-1.5	-2.1	**-2.3**	**-2.8**	**-3.0**	*-2.4*	*-2.7*	*-2.8*
- Norway	16.3	-1.0	72.4	166.9	78.1	**70.9**	**71.5**	**73.3**	*81.5*	*82.8*	*85.7*
- Switzerland	71.4	63.4	116.1	120.7	124.8	**126.2**	**129.7**	**134.9**	*124.4*	*132.7*	*139.6*
Australia	47.6	39.8	86.1	112.2	83.7	**45.2**	**44.8**	**43.1**	*81.5*	*84.4*	*84.1*
Canada	-14.2	-30.3	3.0	16.7	-0.5	**-5.0**	**-16.4**	**-17.0**	*7.0*	*8.4*	*9.2*
Japan	1.4	26.0	16.0	-118.3	-46.3	**-25.8**	**-36.5**	**-40.7**	*-31.1*	*-37.7*	*-42.7*
Korea	79.8	80.6	75.7	15.6	37.7	**100.1**	**97.6**	**89.5**	*69.8*	*62.9*	*71.9*
United	-185.0	-164.3	-223.1	-254.8	-259.3	**-288.9**	**-315.2**	**-327.3**	*-255.7*	*-265.5*	*-272.6*
United States	-871.9	-883.4	-1092.4	-1191.9	-1074.2	**-1201.9**	**-1212.3**	**-1185.3**	*-1201.5*	*-1254.0*	*-1296.0*
Advanced economies	-381.6	-310.9	-418.0	-1054.8	-592.3	**-569.1**	**-625.8**	**-639.0**	*-491.1*	*-565.8*	*-614.3*
Emerging and Developing Asia	260.0	501.3	448.4	473.0	418.0	**554.3**	**416.2**	**295.0**	*372.9*	*342.9*	*328.5*
- China	393.0	511.1	562.7	665.0	593.9	**767.9**	**663.0**	**567.2**	*581.5*	*577.5*	*572.0*
- India	-157.5	-102.2	-189.5	-265.3	-244.9	**-269.5**	**-283.3**	**-298.0**	*-261.1*	*-282.0*	*-291.7*
- Indonesia	3.5	28.3	43.8	62.7	46.3	**39.9**	**35.4**	**37.7**	*37.8*	*37.7*	*41.9*
Eastern Neighbourhood and Central Asia	16.8	-0.7	25.8	50.9	7.8	**4.7**	**0.1**	**0.4**	*8.8*	*9.2*	*9.0*
Russia	165.9	92.7	192.6	309.2	121.9	**133.3**	**126.1**	**116.9**	*121.6*	*114.9*	*124.9*
Latin America	22.8	75.9	20.7	-23.4	42.0	**26.4**	**-6.3**	**-23.9**	*46.6*	*34.9*	*24.0*
- Argentina	18.2	14.6	18.7	12.4	-2.9	**22.4**	**21.6**	**21.1**	*19.1*	*17.5*	*17.5*
- Brazil	29.6	35.7	42.3	51.5	92.3	**65.8**	**56.1**	**54.9**	*85.8*	*86.5*	*85.1*
- Mexico	5.2	34.2	-10.7	-27.1	-5.5	**-8.2**	**-23.7**	**-33.2**	*-13.7*	*-13.8*	*-14.5*
MENA	234.8	70.8	302.0	546.0	310.2	**212.2**	**169.6**	**148.3**	*225.3*	*206.3*	*183.6*
- Saudi Arabia	121.3	47.9	136.5	235.3	128.2	**90.5**	**83.7**	**80.5**	*105.9*	*108.5*	*100.1*
Sub-Saharan Africa	5.7	-3.5	34.4	30.9	12.5	**20.7**	**20.9**	**16.9**	*12.0*	*6.3*	*1.8*
- South Africa	2.5	17.7	30.7	13.9	5.6	**11.8**	**11.9**	**11.4**	*3.8*	*2.1*	*0.1*
Emerging and Developing Economies	706.0	736.5	1024.0	1386.6	912.3	**951.6**	**726.6**	**553.5**	*787.2*	*714.4*	*672.0*
World	324.4	425.6	606.0	331.8	320.0	**382.5**	**100.8**	**-85.5**	*-234.5*	*-381.8*	*-482.1*
World excluding EU	-72.1	-26.5	219.9	327.0	-67.5	**-115.0**	**-433.1**	**-648.1**	*-234.5*	*-381.8*	*-482.1*
World excluding euro area	-55.5	10.7	222.1	280.0	-23.4	**-67.3**	**-371.0**	**-584.5**	*-184.0*	*-336.5*	*-437.2*

1) See note 8 on concepts and sources.

Table 59: World current-account balances (in billions of US dollar, 2019-2026) 30.04.2025

						Spring 2025 Forecast			Autumn 2024 Forecast		
	2019	2020	2021	2022	2023	2024	2025	2026	2024	2025	2026
EU	445.5	371.8	565.9	143.1	484.9	616.2	615.0	650.0	697.8	681.7	698.7
EU, adjusted [1]	307.9	268.7	356.9	18.6	302.4	455.9	427.9	438.0	492.8	481.2	495.6
Euro area	410.0	313.7	529.9	150.6	405.8	539.5	523.8	555.2	619.3	610.2	625.6
Euro area, adjusted [1]	259.1	185.9	290.6	-13.9	225.0	393.5	357.3	367.3	413.1	407.1	420.3
Candidate Countries[2]	-1.6	-34.5	-18.8	-49.3	-57.6	-39.1	-55.0	-64.2	-45.6	-69.8	-76.7
- Albania	-1.2	-1.3	-1.4	-1.1	-0.3	-0.7	-0.7	-0.8	-0.9	-1.0	-1.0
- Bosnia and Herzegovina	-0.5	-0.6	-0.3	-1.1	-0.6	-1.1	-1.1	-1.1	-0.8	-1.0	-1.1
- Georgia	-1.1	-2.0	-1.9	-1.1	-1.7	-1.5	-1.7	-2.1	-1.4	-1.4	-1.4
- Moldova	-0.9	-0.6	-1.3	-2.4	-1.9	-2.9	-3.1	-3.4	-1.9	-1.9	-1.8
- Montenegro	-0.8	-1.2	-0.5	-0.8	-0.8	-1.4	-1.6	-1.7	-1.0	-1.1	-1.2
- North Macedonia	-0.4	-0.4	-0.4	-0.8	0.1	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
- Serbia	-3.6	-2.3	-2.7	-4.4	-2.1	-5.6	-6.0	-6.3	-4.5	-5.2	-5.3
- Türkiye	11.1	-31.2	-6.4	-45.6	-40.4	-10.0	-12.4	-20.3	-18.2	-27.5	-32.6
- Ukraine	-4.2	5.1	-3.8	8.0	-9.8	-15.5	-27.9	-28.2	-16.4	-30.4	-31.8
Iceland	1.6	0.4	-0.5	-0.5	0.3	-1.1	-1.5	-1.7	-0.8	-0.7	-1.0
Norway	15.5	4.1	66.8	175.3	80.2	82.7	76.1	74.7	86.5	88.3	92.1
Switzerland	24.7	-0.5	49.9	71.2	51.2	47.5	47.3	53.5	72.1	70.8	75.5
Australia	-0.2	25.0	40.2	5.5	-5.4	-34.3	-30.8	-34.3	-5.7	4.4	1.1
Canada	-34.0	-33.3	-0.4	-6.3	-13.8	-11.4	-20.2	-20.9	-3.9	-5.2	-6.4
Japan	176.7	149.8	195.5	87.2	160.9	193.1	190.6	191.5	177.9	188.4	199.4
Korea	59.7	75.9	85.2	25.8	32.8	99.0	88.0	80.0	60.6	54.5	61.6
United Kingdom	-76.6	-79.2	-13.7	-65.5	-118.2	-96.8	-100.6	-104.0	-84.8	-87.0	-90.8
United States	-447.3	-572.9	-879.4	-1020.9	-915.9	-1087.6	-1089.7	-1060.3	-1028.4	-1011.3	-1027.4
Advanced economies	305.2	87.6	323.9	-425.3	-90.5	14.6	-65.6	-50.2	141.5	146.9	158.0
Emerging and Developing Asia	105.8	331.8	302.9	369.6	259.3	412.9	286.2	184.4	200.2	186.6	156.6
- China	102.9	248.8	352.9	443.4	253.0	422.0	317.4	232.9	212.6	212.2	212.3
- India	-25.1	27.0	-39.9	-64.6	-20.1	-31.2	-40.3	-48.0	-41.1	-47.2	-51.0
- Indonesia	-30.3	-4.4	3.5	13.2	-2.0	-8.9	-14.1	-12.9	-12.5	-15.3	-13.2
Easter Neighbourhood and Central Asia	-8.1	-12.8	6.3	31.7	-12.6	-5.1	-8.8	-10.4	-7.7	-7.6	-5.9
Russia	65.7	35.4	124.9	235.8	49.4	62.3	42.3	24.7	59.7	54.9	64.2
Latin America	-103.6	-7.3	-89.4	-129.9	-75.6	-75.1	-99.6	-119.2	-68.6	-82.2	-91.7
- Argentina	-3.5	2.7	6.6	-4.1	-21.0	6.3	2.1	0.8	4.7	3.3	2.9
- Brazil	-65.0	-24.9	-40.4	-42.2	-27.9	-61.2	-58.6	-59.4	-38.3	-40.2	-45.3
- Mexico	-3.9	26.9	-4.6	-17.7	-5.6	-6.0	-22.2	-32.5	-13.6	-15.6	-17.3
MENA	89.2	-45.4	163.5	437.6	228.0	137.8	100.6	104.1	130.0	92.6	94.9
- Saudi Arabia	38.5	-25.5	40.5	150.4	35.1	-7.1	-11.5	-10.5	6.6	-19.2	-22.1
Sub-Saharan Africa	-44.8	-31.1	-3.3	-23.1	-25.7	-19.3	-20.7	-28.6	-28.2	-39.9	-55.0
- South Africa	-10.2	6.8	15.7	-1.9	-6.1	-2.5	-3.5	-4.9	-7.3	-8.9	-10.8
Emerging and Developing Economies	104.2	270.6	505.0	921.7	422.8	513.5	299.9	155.1	285.5	204.5	163.1
World	409.4	358.2	828.9	496.4	332.3	528.2	234.3	104.9	427.0	351.4	321.1
World excluding EU	-36.1	-13.5	263.0	353.3	-152.6	-88.1	-380.7	-545.1	-270.8	-330.3	-377.6
World excluding euro area	-0.6	44.6	299.0	345.7	-73.5	-11.4	-289.4	-450.2	-192.3	-258.8	-304.5

1) See note 8 on concepts and sources.

2) Data are not fully comparable to the previous forecast for the Candidate Countries, because its composition changed. Georgia was not included in the group of candidate countries in Autumn 2023 Forecast.

Table 60: Crude oil prices, 2019-2026 30.04.2025

						Spring 2025 Forecast			Autumn 2024 Forecast	
	2019	2020	2021	2022	2023	2024	2025	2026	2025	2026
Annual percentage change (USD)	-9.3	-35.1	69.3	42.5	-18.1	-2.5	-15.9	-5.4	-9.4	-2.2
Price per barrel										
- Brent (USD)	64.3	41.8	70.7	100.7	82.5	80.5	67.7	64.0	73.1	71.5
- Brent (EUR)	57.5	36.6	59.8	95.8	76.3	74.4	60.8	56.4	67.4	65.9

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2024 are based on outturns as far as available at the cut-off date of this forecast. Data for 2025 and 2026 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 are based on SNA 2008, whilst the Japanese accounts use SNA 1993. 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, FI, 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 (ESA 2010), except for US current-account in tables 48, 50, and 59 (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 47 - 50 and 58-59 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 2022.

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.

11 Net expenditure growth, table 39. See Box I.1.1

12 Geographical zones are defined as follows :

Euro area :

EA20 (BE, DE, EE, IE, EL, ES, FR, HR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI)

European Union :

EU (EA20, BG, CZ, DK, HU, PL, RO, and SE).

Candidate countries :

Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine

Advanced economies :

EU, United Kingdom, candidate countries, Iceland, Norway, Switzerland, Australia, Canada, Hong Kong, Japan, Korea, New Zealand, Singapore, Taiwan and the United States.

Emerging and developing Asia:

All countries in that region except the ones included in the Advanced economies and the Asian MENA countries.

Latin America :

All countries in that region.

MENA (Middle East and Northern Africa) :

Algeria, Tunisia, Morocco, Egypt, Israel, Jordan, Lebanon, Lybia, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

Sub-Saharan Africa :

All countries in that region except the African MENA countries.

Eastern Neighbourhood and Central Asia:

Armenia, Azerbaijan, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan.

PREVIOUS EUROPEAN ECONOMIC FORECASTS

1. Forecast publications (2019-2024)

Autumn 2024: a gradual rebound in an adverse environment	*November 2024*
Spring 2024: A gradual expansion amid high geopolitical risks	*May 2024*
Winter 2024: A delayed rebound in growth amid faster easing of inflation	*February 2024*
Autumn 2023: A modest recovery ahead after a challenging year	*November 2023*
Summer 2023: Easing growth momentum amid declining inflation and robust labour market	*September 2023*
Spring 2023: An improved outlook amid persistent challenges	*May 2023*
Winter 2023: EU Economy set to avoid recession, but headwinds persist	*February 2023*
Autumn 2022: The EU economy at a turning point	*November 2022*
Summer 2022: Russia's war worsens the outlook	*July 2022*
Spring 2022: Russian invasion tests EU economic resilience	*May 2022*
Winter 2022: Growth expected to regain traction after winter slowdown	*February 2022*
Autumn 2021: From recovery to expansion, amid headwinds	*November 2021*
Summer 2021: Reopening fuels recovery	*July 2021*
Spring 2021: Rolling up sleeves	*May 2021*
Winter 2021: A challenging winter, but light at the end of the tunnel	*February 2021*
Autumn 2020: Rebound interrupted	*November 2020*
Summer 2020: A deeper recession with wider divergences	*July 2020*
Spring 2020: A deep and uneven recession, an uncertain recovery	*May 2020*
Winter 2020: Offsetting forces confirm subdued growth	*February 2020*
Autumn 2019: A challenging road ahead	*November 2019*
Summer 2019: Growth clouded by external factors	*July 2019*
Spring 2019: Growth continues at a more moderate pace	*May 2019*
Winter 2019: Growth moderates amid high uncertainty	*February 2019*

2. Selected economic analyses (2019-2024)

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 on the EU economic outlook	*Winter 2024*
EU non-financial corporations in a challenging economic environment	*February 2024*
Household savings and wealth in the euro area – implications for private consumption	
Food inflation in the euro area – what were the driving forces behind the extraordinary surge in 2022-2023?	
A cooling housing market amid mortgage rate increases	*Autumn 2023*
Persistent labour market tightness during a slowdown: a reappraisal of drivers	*November 2023*
Effects of extreme weather events on national accounts and the European Economic forecasts	
Spillover effects to the EU from a potential sharp slowdown in China	
Decomposition of inflation	
Potential economic repercussions of wider tensions in the Middle East: A stylised model-based scenario	
Insights from the Commission's consumer survey: how is inflation shaping consumer confidence and spending.	*Summer 2023* *September 2023*
Medium-term projections of potential GDP growth in turbulent times	*Spring 2023*
The new candidate countries included in the forecast	*May 2023*
European gas market: recent developments and outlook	
Recent developments in bankruptcy declarations in the EU	
Profit margins and their role in euro area inflation	
Which Factors Shape Growth and Inflation Going Forward? Model-Based Insights into the Spring Forecast	
Global trade fragmentation risks	*Winter 2023*
Selling price expectations and core inflation – insights from the Commission's business surveys	*February 2023*
Commodity-driven inflation: Macro effects and risks	*Autumn 2022*
Can the EU labour market withstand a slowdown in economic activity?	*November 2022*
The effect of rising energy and consumer prices on household finances, material deprivation and energy poverty in the EU	
Future prices in forecast assumptions	
Household wealth and savings in the euro area – the effect of inflation	
Exchange rate pass-through to euro-area consumer price inflation	

Fiscal policy measures to mitigate the impact of high energy prices	
Irish GDP developments and multinational enterprises' activities	*Summer 2022*
The impact of inflation on consumers' financial situation – insights from the Commission's consumer survey	*July 2022*
Stagflation risks in Europe: Are the 2020s different from the 1970s?	
Alternative scenarios on the economic outlook	*Spring 2022*
Carry-over effects and the annual growth forecast for 2022	*May 2022*
Member States' vulnerability matrix	
Production bottlenecks based on the Business and Consumer Surveys	*Winter 2022*
An update on energy price development: pass-through from wholesale to retail	*February 2022*
Business managers are upbeat about investment this year	
Supply side bottlenecks	*Autumn 2021*
Energy prices	*November 2021*
Labour market: slack or tight?	
Housing market	
New survey-based measures of economic uncertainty	
Selling price expectations of business managers on the rise	*Summer 2021*
An update on the tourism sector in the EU: insights from early 2021 data	*July 2021*
The role of savings in determining the recovery path	*Spring 2021*
Will consumers save the EU recovery? Insights from the Commission's consumer survey	*May 2021*
Spillovers from 2021 US fiscal policy	
The pandemic and inflation: technical factors driving volatility	
The incorporation of the Recovery and Resilience Facility in the forecast	
An update on the tourism sector: insights from big data	*Winter 2021*
The Trade and Cooperation Agreement between the EU and the UK and model simulation of the short-term economic impact of the included Free Trade Agreement	*February 2021*
The road out of the crisis: an update of alternative scenarios	
The road out of the crisis remains bumpy and uncertain	*Autumn 2020*
Macroeconomic effects of Next Generation EU	*November 2020*
Tourism in pandemic times: an analysis using real-time big data	
Technical specifications underpinning the QUEST simulations of NGEU	
Some technical elements behind the forecast	
Technical assumption on the future trading relations between the EU and the UK and model simulation of their economic impact	
The inclusion of Next Generation EU and its Recovery and Resilience Facility in the forecast	
The impact and recovery from COVID-19: a model-based scenario analysis	*Summery 2020*
How the pandemic shaped the forecast	*Spring/May 2020*
Global value chains and protectionism	*November 2019*
What is behind the slowdown? A model-based analysis of growth drivers	

EUROPEAN ECONOMY INSTITUTIONAL PAPERS SERIES

European Economy Institutional Papers series can be accessed and downloaded free of charge from the following address: Publications (europa.eu).

.

Titles published before July 2015 can be accessed and downloaded free of charge from:

- http://ec.europa.eu/economy_finance/publications/european_economy/index_en.htm
(the main reports, e.g. Economic Forecasts)

- http://ec.europa.eu/economy_finance/publications/occasional_paper/index_en.htm
(the Occasional Papers)

- http://ec.europa.eu/economy_finance/publications/qr_euro_area/index_en.htm
(the Quarterly Reports on the Euro Area)

GETTING IN TOUCH WITH THE EU

In person

All over the European Union there are hundreds of Europe Direct Information Centres. You can find the address of the centre nearest you at: http://europa.eu/contact.

On the phone or by e-mail

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696 or
- by electronic mail via: http://europa.eu/contact.

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: http://europa.eu.

EU Publications

You can download or order free and priced EU publications from EU Bookshop at: http://publications.europa.eu/bookshop. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see http://europa.eu/contact).

EU law and related documents

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex at: http://eur-lex.europa.eu.

Open data from the EU

The EU Open Data Portal (http://data.europa.eu/euodp/en/data) provides access to datasets from the EU. Data can be downloaded and reused for free, both for commercial and non-commercial purposes.

Publications Office
of the European Union