EUROPEAN CENTRAL BANK
EUROSYSTEM

The ECB Survey of Professional Forecasters

Third quarter of 2025

July 2025

Contents

Summary

In the ECB's Survey of Professional Forecasters (SPF) for the third quarter of 2025,[1] expectations for headline HICP inflation were revised downwards for 2025 and 2026 but remained unchanged for 2027 and the longer term. At the same time, core inflation expectations, as measured by the HICP excluding energy and food (HICPX), were revised down slightly for 2026 and 2027.

Headline inflation was expected to decline from 2.4% in 2024 to 2.0% in 2025, 1.8% in 2026 and 2.0% in 2027. These expectations represent a 0.2 percentage point downward revision for 2025 and 2026 but no change for 2027. Longer-term HICP inflation expectations (for 2030 in this round and for 2029 in the previous round) were unchanged at 2.0%. Expectations for HICPX were revised down by 0.1 percentage points for 2026 and 2027. They now stand at 2.0% for both years and also for the longer term. Respondents expect real GDP growth of 1.1% in 2025 and 2026 and 1.4% in 2027. These figures were revised upwards by 0.2 percentage points for 2025 and downwards by 0.1 percentage points for 2026, while expectations for growth in 2027 were unrevised. Longer-term GDP growth expectations were unchanged at 1.3%. The trajectory of respondents' unemployment rate expectations was broadly unchanged, apart from a slight downward revision for 2027.

[1] The survey was conducted between 1 and 3 July 2025 and 53 responses were received. All participants were provided with the same set of the latest available data for annual HICP inflation (June 2025: overall inflation, 2.0%; underlying inflation, 2.3%), annual GDP growth (first quarter of 2025: 1.5%) and unemployment (May 2025: 6.3%). This report was drafted on the basis of data available on 11 July 2025.

Table 1
Results of the SPF in comparison with other expectations and projections

(annual percentage changes, unless otherwise indicated)

	Survey horizon			
	2025	**2026**	**2027**	**Longer term**[1)]
HICP inflation				
Q3 2025 SPF	2.0	1.8	2.0	2.0
Previous SPF (Q2 2025)	2.2	2.0	2.0	2.0
Eurosystem staff macroeconomic projections (June 2025)	2.0	1.6	2.0	-
Consensus Economics (June 2025)	2.0	1.8	-	-
Memo: HICP inflation excluding energy, food, alcohol and tobacco				
Q3 2025 SPF	2.3	2.0	2.0	2.0
Previous SPF (Q2 2025)	2.3	2.1	2.1	2.0
Eurosystem staff macroeconomic projections (June 2025)	2.4	1.9	1.9	-
Consensus Economics (June 2025)	2.3	1.9	-	-
Real GDP growth				
Q3 2025 SPF	1.1	1.1	1.4	1.3
Previous SPF (Q2 2025)	0.9	1.2	1.4	1.3
Eurosystem staff macroeconomic projections (June 2025)	0.9	1.1	1.3	-
Consensus Economics (June 2025)	1.0	1.1	-	-
Unemployment rate[2)]				
Q3 2025 SPF	6.3	6.3	6.2	6.2
Previous SPF (Q2 2025)	6.3	6.3	6.3	6.2
Eurosystem staff macroeconomic projections (June 2025)	6.3	6.3	6.0	-
Consensus Economics (June 2025)	6.4	6.4	-	-

1) Longer-term expectations refer to 2030 in the SPF for the third quarter of 2025; they referred to 2029 in the SPF for the second quarter of 2025.
2) As a percentage of the labour force.

Box 1
Impact of tariffs – breaking down demand and supply-side effects

In this round, SPF respondents were asked a special question related to the impact of tariffs and protectionism. For each of the calendar year horizons (2025, 2026 and 2027) and the longer term (2030), they were asked to (i) state the impact of tariffs on their baseline expectations for inflation and real GDP and (ii) break down the impact into demand-side and supply-side effects.[2,3] A similar question had been included in the previous round (focusing on the impact on respondents' baseline expectations and risk assessment, but not on the breakdown into demand-side and supply-side effects).[4]

Regarding baseline inflation expectations, tariffs were expected to have a small downward impact in the nearer term (-0.06 percentage points in both 2025 and 2026), but to be broadly neutral on balance in 2027 and over the longer-term (2030) horizon (see Chart A, panel a, blue line). Compared with the previous SPF round, this represents a downward revision of 0.14 percentage points for 2025 and 0.12 percentage points for 2026, while the figures remain unchanged for 2027 and the longer term. In the previous survey round, tariffs were expected to have a small upward impact in the nearer term, though there was considerable uncertainty as the impact would depend significantly on the coverage and magnitude of potential retaliatory measures by the EU. In this round, the qualitative responses suggest that much of the downward revision stems from fewer countermeasures than previously anticipated being imposed by EU authorities.

In terms of the break down in demand-side and supply-side effects on inflation, demand-side effects dominate for 2025 and 2026, the effects are broadly balanced for 2027, and supply-side effects dominate for the longer-term horizon. For 2025 and 2026, demand-side effects were expected to negatively affect inflation by 0.09 percentage points and 0.10 percentage points respectively. These demand-side effects were partially offset by small upward supply-side effects. For 2027, the limited expected demand-side effects were exactly counterbalanced by upward supply-side effects. For the longer-term horizon, the expected negative demand-side effects are slightly smaller than the expected upward supply-side effects, but both are small in magnitude.

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2 Respondents could choose from seven responses: 0 denoting < |0.1|; + ≈ 0.1 percentage points; ++ = 0.2 to 0.3 percentage points; +++ ≥ 0.4 percentage points; - ≈ -0.1 percentage points; - - = -0.2 to -0.3 percentage points; - - - ≤ -0.4 percentage points. For the question about demand and supply-side effects, the following guidance was provided: "*demand-side effects impact aggregate demand and move prices and activity in the same direction, while supply-side effects impact aggregate supply and move prices and activity in opposite directions. For example, the imposition of tariffs on the EU by the United States would be predominantly a demand effect (both prices and activity likely go down), whereas retaliation by the EU authorities would be a supply-side effect (prices likely go up but activity goes down). Other supply-side effects would include increased production costs, changes in resource allocation and increased inefficiencies. Note: supply + demand should equal overall impact.*"

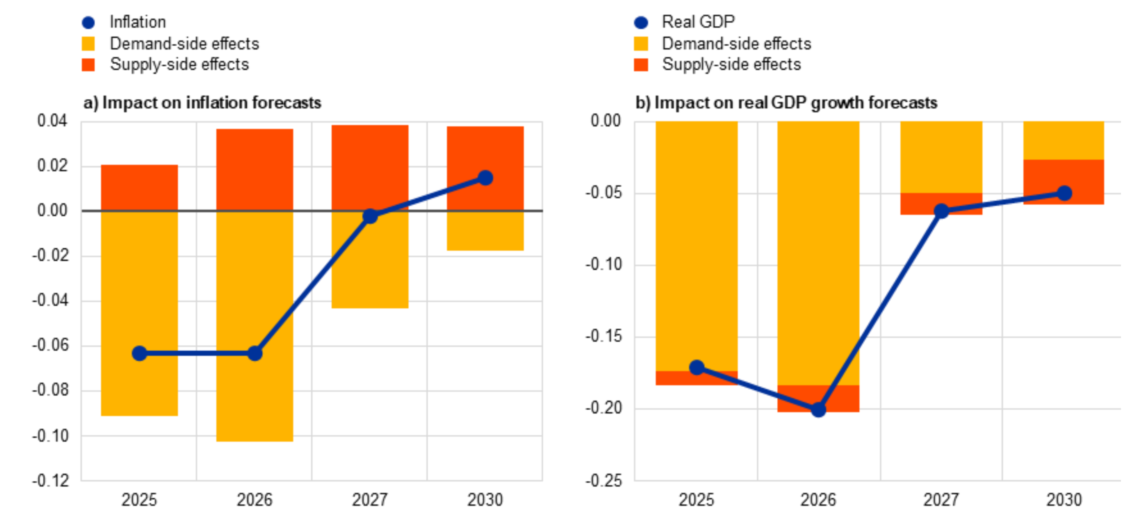
3 The survey was conducted between 1 and 3 July, prior to the deadline of 9 July (and the announcement of the delay on 7 July).

4 23 respondents provided information on the expected impact and the breakdown into demand-side and supply-side effects. 34 respondents provided the net impact, of which 11 did not provide a breakdown. The net impact when all 34 responses are considered is largely similar to the net impact when only the 23 responses that included a breakdown are considered.

Chart A

Estimated impact of tariffs on inflation and real GDP growth – baseline expectations and broken down into demand-side and supply-side effects

(percentage points)



Note: Although not constrained to be, the sum of the demand-side and supply-side effects is generally equal to the net effect.

Regarding the baseline real GDP growth expectations, tariffs were expected to have a downward impact across all horizons, and in the nearer term (2025 and 2026) in particular (see Chart A, panel b, blue line). The combination of demand-side and supply-side effects would imply a downward impact of around 0.2 percentage points on expected real GDP growth in 2025 and 2026, while the impact would be more limited for 2027 and the longer-term horizon (2030). Compared with the previous SPF round, this represents a broadly unchanged assessment across all horizons.

Demand-side effects dominate the expected impact on real GDP growth in 2025-27, while demand and supply-side effects are broadly equal for the longer-term horizon. Expected (negative) demand-side effects dominate the expected overall impact on real GDP growth for 2025-27. Expected demand-side effects are -0.17, -0.18 and -0.05 percentage points while expected supply-side effects are -0.01, -0.02 and -0.02 for 2025-27 respectively. For 2020, supply-side effects are broadly equal to expected demand-side effects (both -0.03 percentage points).

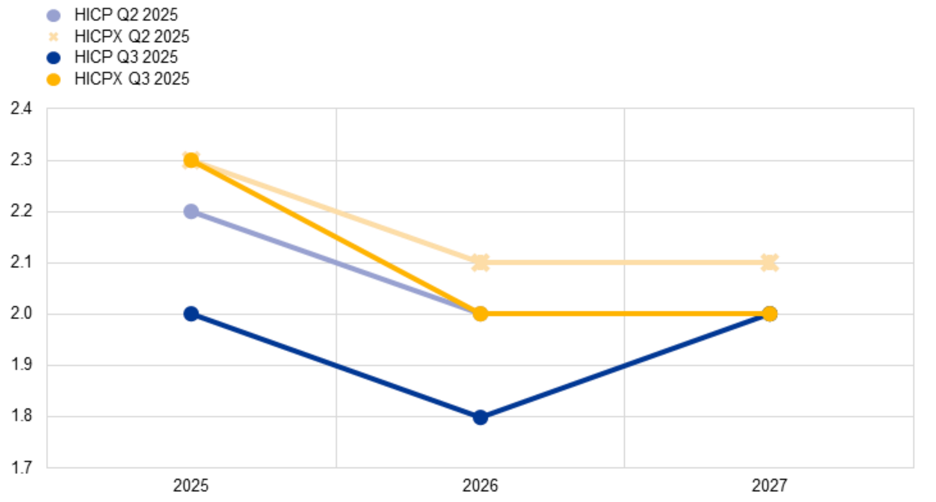
Overall, respondents expect demand-side effects to dominate the impact. Supply-side effects gain importance for the longer-term horizon but remain limited in terms of the size of the impact.

1 Headline HICP inflation expectations for 2025 and 2026 revised downwards

SPF respondents' headline inflation expectations were revised downwards for 2025 and 2026 but were unchanged thereafter. HICP inflation was expected to decline from the 2.4% recorded in 2024 to 2.0% in 2025 and further to 1.8% in 2026. These expectations were revised down by 0.2 percentage points for both years. Inflation expectations for 2027 remained at 2.0% (see **Chart 1**). Respondents highlighted that declining energy prices, particularly for Brent crude oil and natural gas, should act as a moderating factor for headline inflation over the forecast horizon. Additionally, the stronger euro was expected to have a disinflationary impact. On the other hand, some respondents cautioned that food inflation might remain "sticky", reflecting supply-side dynamics and climate-related factors. Compared with the June 2025 Eurosystem staff macroeconomic projections, inflation expectations in this SPF round were the same for 2025 and 2027 but higher by 0.2 percentage points for 2026 (see **Table 1**).

Chart 1
Inflation expectations: overall HICP inflation and HICPX inflation

(annual percentage changes)



HICPX expectations were revised down by 0.1 percentage points for 2026-27. They stood at 2.3% for 2025 and at 2.0% for 2026-27. Respondents noted that the pattern of moderate non-energy industrial goods inflation was expected to persist. While services inflation is higher, respondents noted that its momentum is moderating. This moderation was expected to continue, supported by the broader disinflationary environment and further expected slowdown in wage growth. On the other hand, fiscal spending initiatives, such as defence and infrastructure packages, as well as taxes related to the green transition, were expected to put some upward pressure on inflation. Compared with the June 2025 Eurosystem staff macroeconomic projections, SPF forecasts for HICPX were 0.1 percentage points lower for 2025 but 0.1 percentage points higher for 2026 and 2027 (see **Table 1**).

Uncertainty surrounding the medium-term inflation outlook remained largely unchanged this round, while the balance of risks remained somewhat tilted to the upside.[5,6] Having eased substantially since the peak of inflation observed around the turn of 2022-23, quantitative indicators of uncertainty surrounding the two-year-ahead inflation outlook remained broadly unchanged this round, at levels higher than those observed prior to the invasion of Ukraine. The increase in aggregate uncertainty stems from both higher disagreement between respondents and higher individual uncertainty. The evolution of US tariff policies and the extent of EU countermeasures were identified as significant uncertainties, with the potential to influence inflation dynamics through both direct and indirect channels. Aggregate probability distributions for the calendar years 2025, 2026 and 2027 are presented in **Chart 2**. The balance of risk indicator for the two-year-ahead horizon remained positive (to the upside). According to the qualitative remarks, downside risks to the inflation forecasts stem from an even stronger than expected euro and a further weakening in energy prices. Additionally, trade diversion and weaker external demand stemming from US trade policies could amplify disinflationary pressures. On the upside, geopolitical developments remain a risk. Respondents also mentioned that climate-related shocks, such as poor harvests due to droughts, present an inflationary risk to food prices. Lastly, tight labour markets and more persistent wage growth were considered as upside risk factors, particularly in labour-intensive services sectors.

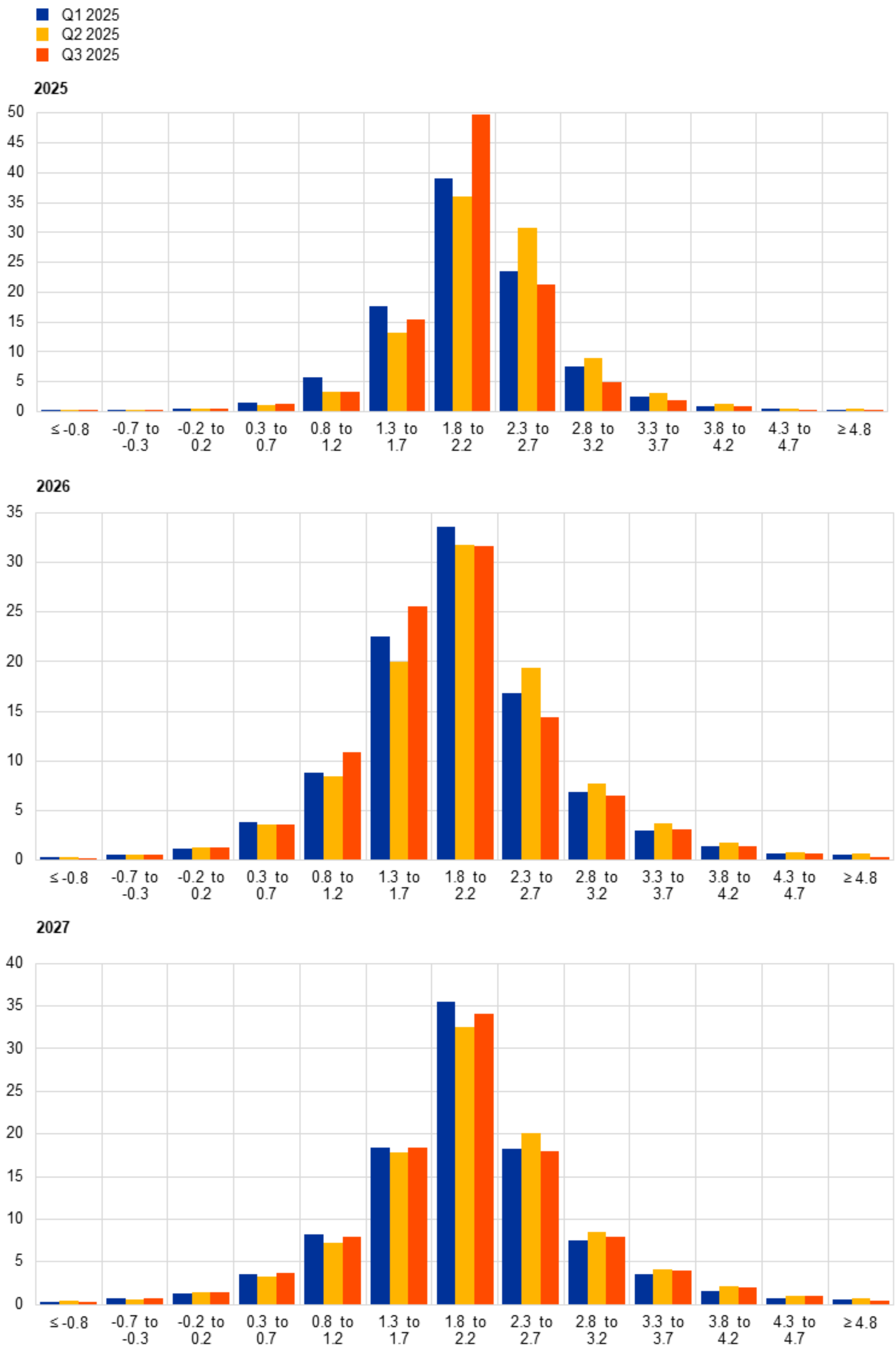
5 The width of the reported probability distributions indicates the perceived degree of overall uncertainty, whereas the asymmetry of the distributions indicates whether that uncertainty is more concentrated on higher or lower outturns, i.e. it measures the perceived balance of risks. As regards uncertainty, it can be shown that the width (or standard deviation) of the aggregate probability distribution (i.e. “aggregate uncertainty”) is a function of the average width (or standard deviation) of the individual probability distributions (i.e. “individual uncertainty”) and the standard deviation of the individual point forecasts (i.e. “disagreement”).

6 The balance of risk indicator is defined as the mean of the aggregate probability distribution minus the mean of the individual point forecasts.

Chart 2

Aggregate probability distributions for expected inflation in 2025, 2026 and 2027

(x-axis: HICP inflation expectations, annual percentage changes; y-axis: probability, percentages)



Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of inflation outcomes in 2025, 2026 and 2027.

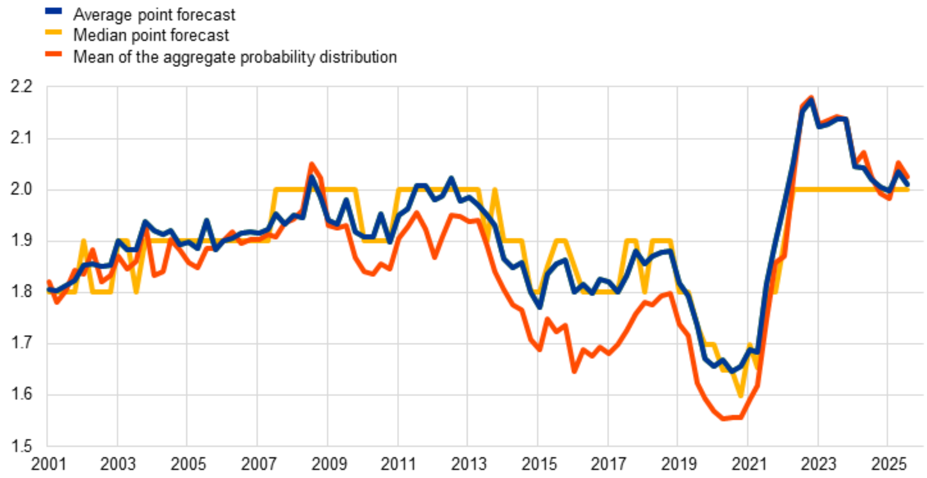
2 Longer-term inflation expectations unchanged at 2.0%

Longer-term inflation expectations (for 2030 in this round and for 2029 in the previous round) were unchanged at 2.0% (see Chart 3). The modal and median values of the distribution of individual point forecasts were both unchanged at 2.0%, and the shape of the cross-sectional distribution was also largely unaltered (see **Chart 4**).[7] The majority of respondents continue to see inflation at the 2% target in the longer term: for the seventh consecutive round, more than half of the respondents reported longer-term inflation expectations of 2.0%. Compared with the previous round, the histogram of individual point forecasts was largely similar, with more than three-quarters of participants reporting expectations between 1.9% and 2.1%. There was a small decrease in the portion reporting 2.1% and small increases in those reporting expectations between 1.8% and 2.0%.

Chart 3

Longer-term inflation expectations

(annual percentage changes)

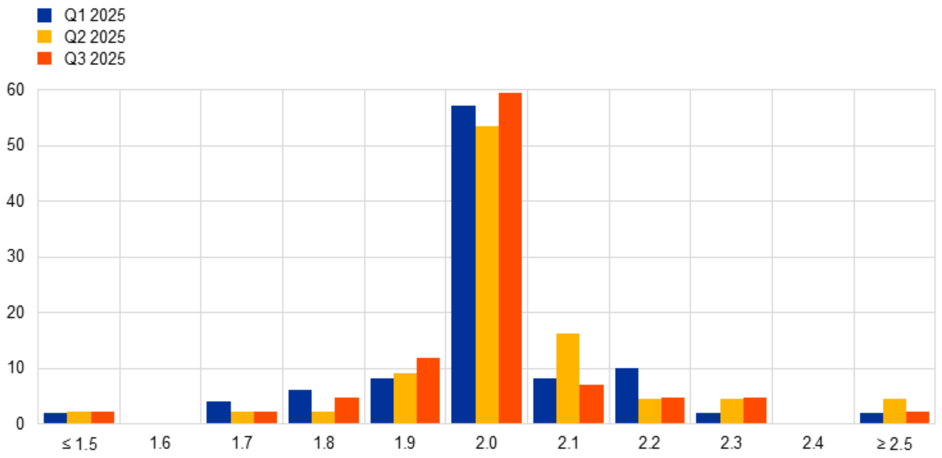


[7] Of a balanced panel of 36 respondents who also replied to the survey in the second quarter of 2025, two-thirds left their longer-term inflation expectations unchanged, seven revised them down and five revised them up.

Chart 4

Distribution of point expectations for HICP inflation in the longer term

(x-axis: longer-term HICP inflation expectations, annual percentage changes; y-axis: percentages of respondents)



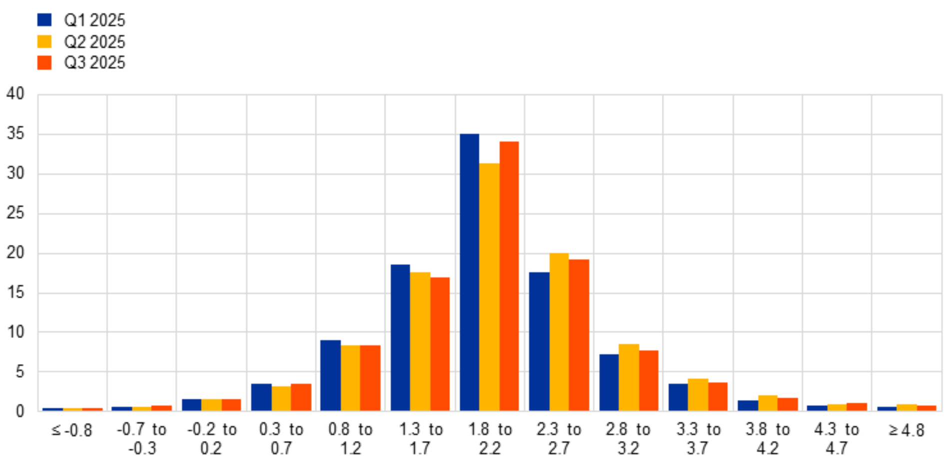
Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the spread of point forecast responses. Longer-term expectations refer to 2030 in the SPF for the third quarter of 2025; they referred to 2029 in the SPF rounds for the first and second quarters of 2025.

Uncertainty surrounding longer-term inflation expectations was largely unchanged and the balance of risks was broadly balanced (see Chart 5). Aggregate uncertainty (the standard deviation of the aggregate probability distribution) was largely unchanged in this round, reflecting, on the one hand, slightly lower individual uncertainty (measured by the average width of the individual probability distributions) and, on the other hand, a fractional increase in disagreement regarding point forecasts. The balance of risk indicator remained close to being broadly balanced.

Chart 5

Aggregate probability distribution for longer-term inflation expectations

(x-axis: HICP inflation expectations, annual percentage changes; y-axis: probability, percentages)



Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of inflation outcomes in the longer term. Longer-term expectations refer to 2030 in the SPF for the third quarter of 2025; they referred to 2029 in the SPF rounds for the first and second quarters of 2025.

The mean longer-term expectation for HICPX inflation was unchanged at 2.0%. The median (and modal) longer-term point expectations for HICPX were also unchanged at 2.0%. While the evolution of longer-term expectations for HICP and HICPX inflation has been broadly similar since the fourth quarter of 2016 (when respondents were first asked about their expectations for HICPX inflation), there has been a narrowing of the gap (previously 0.1 percentage points) since the first quarter of 2024. In this round and the previous round, both measures were virtually identical.

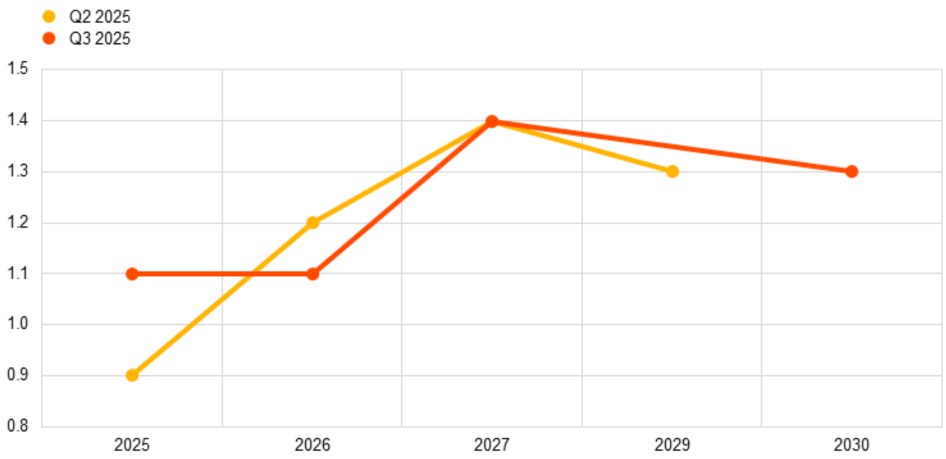
3 Real GDP growth expectations revised up for 2025, but down for 2026

GDP growth expectations stood at 1.1% for 2025 and 2026 and 1.4% for 2027 (see Chart 6). Compared with the previous round, these figures imply an upward revision of 0.2 percentage points for 2025 and a downward revision of 0.1 percentage points for 2026, while the outlook for 2027 remained broadly unchanged. The figure for 2025 implies 0.2 percentage point higher growth than in the June 2025 Eurosystem staff macroeconomic projections, the figure for 2026 is broadly in line with the projections and the figure for 2027 implies 0.1 percentage point higher growth. The longer-term growth expectations (referring to 2030 in this round and 2029 in the previous round) were unchanged at 1.3%.

Chart 6

Expectations for real GDP growth

(annual percentage changes)

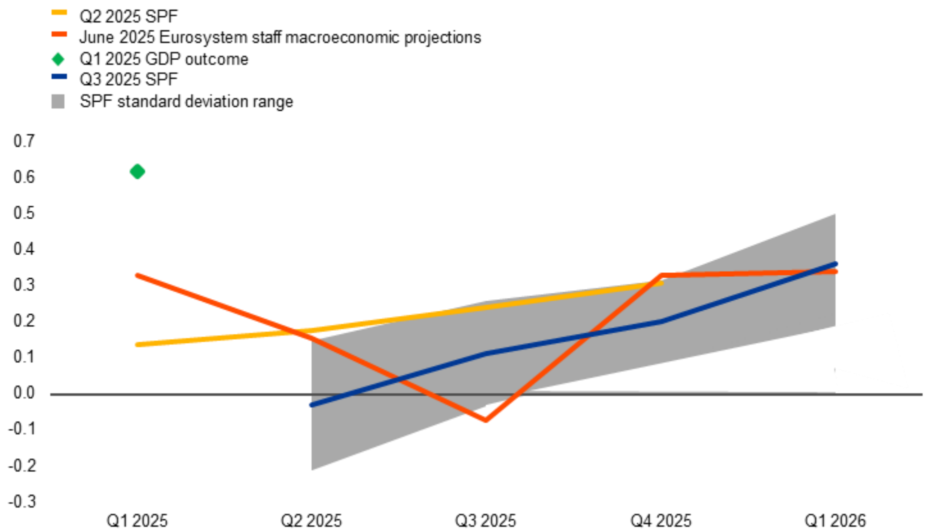


The upward revisions to euro area growth expectations for 2025 were largely driven by new data, while the downward revisions for 2026 were most likely driven by the combined effects of tariffs and reduced optimism about looser fiscal policy. After the realised growth rate of 0.6%, quarter on quarter, in the first quarter of 2025, respondents expected a near-term reversal in the second quarter (see **Chart 7**). Thereafter, respondents expect a strengthening of real GDP growth over the following three quarters. For the second half of 2025, growth expectations were (on average) broadly in line with the latest Eurosystem staff projections (albeit with a different profile), but lower than in the previous survey round. Most forecasters expected increased tariffs and trade policy uncertainty to weigh on growth in the short term, particularly in 2025 and 2026. Over the medium to longer-term horizon, fiscal policy, especially in Germany, and public defence spending were expected to lift GDP growth, counterbalancing the downward impact caused by the trade conflict.

Chart 7

Expected profile of quarter-on-quarter GDP growth

(quarter-on-quarter percentage changes)



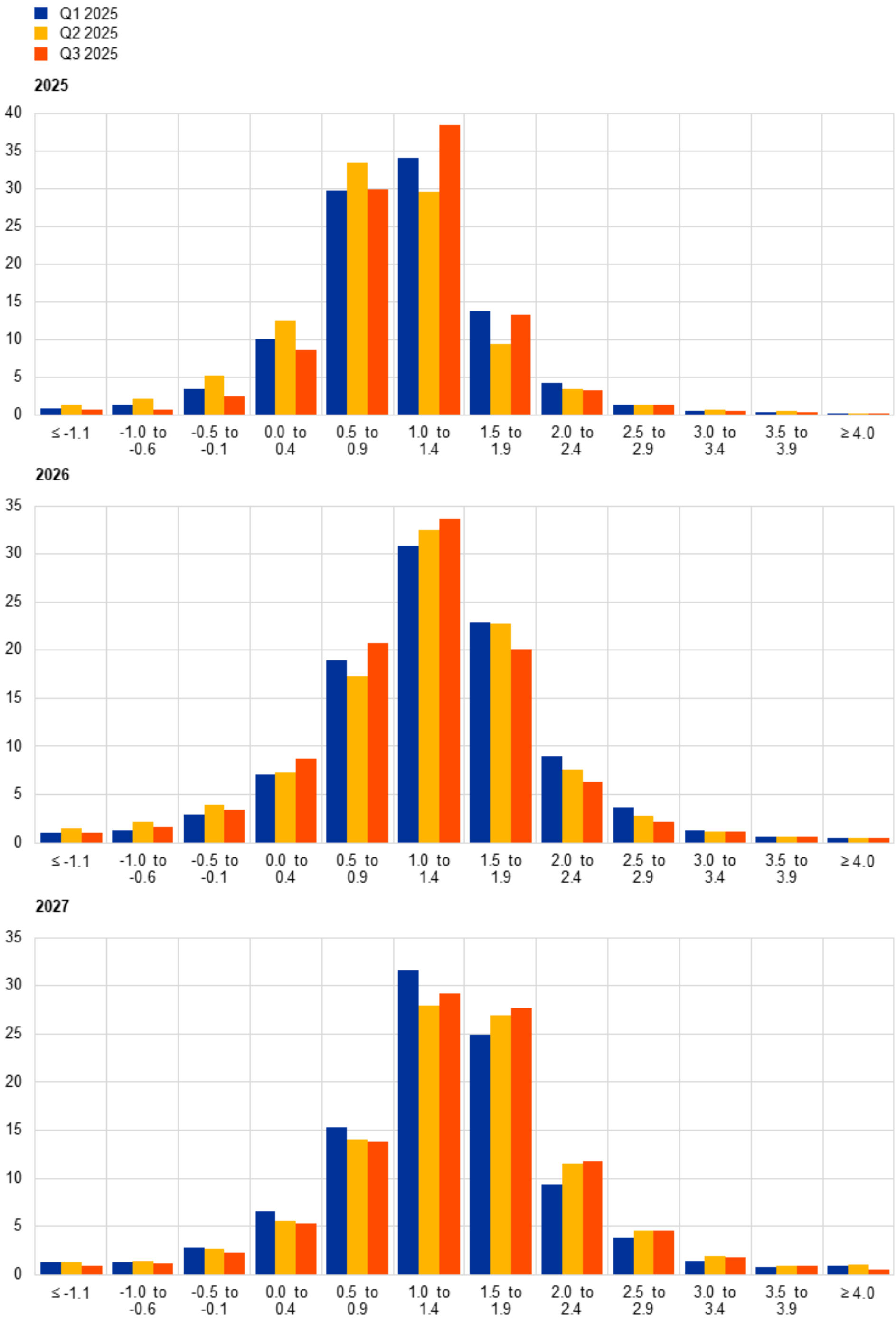
Note: The grey area indicates one standard deviation (of individual expectations) around average SPF expectations.

Uncertainty surrounding the growth outlook remained broadly stable for both the two-year and the five-year horizons, while the balance of risks moved closer to a neutral level for the two-year- horizon (see Chart 8 and Chart 9). While aggregate uncertainty is currently lower than before the invasion of Ukraine for both horizons – especially for the two-year-ahead horizon – it is still above pre-pandemic levels.

Chart 8

Aggregate probability distributions for GDP growth expectations for 2025, 2026 and 2027

(x-axis: real GDP growth expectations, annual percentage changes; y-axis: probability, percentages)

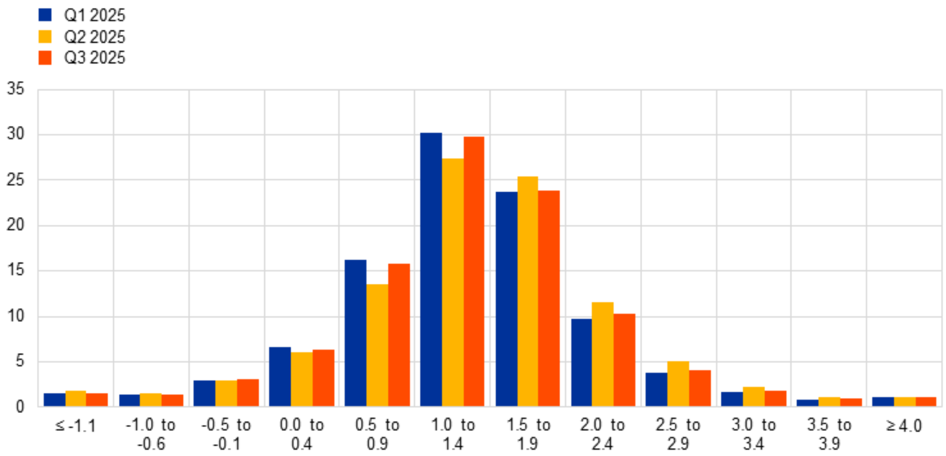


Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of real GDP growth outcomes in 2025, 2026 and 2027.

Chart 9

Aggregate probability distributions for longer-term GDP growth expectations

(x-axis: real GDP growth expectations, annual percentage changes; y-axis: probability, percentages)



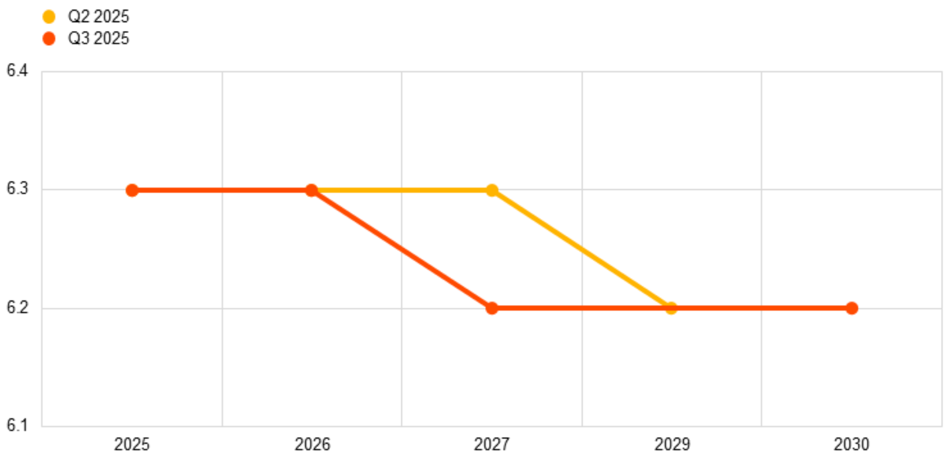
Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of real GDP growth outcomes in the longer term. Longer-term expectations refer to 2030 in the SPF for the third quarter of 2025; they referred to 2029 in the SPF rounds for the first and second quarters of 2025.

4 Unemployment rate expectations broadly unchanged but marginally down for 2027

In the third quarter of 2025 survey round, respondents expected the unemployment rate to be 6.3% for 2025 and 2026 and 6.2% for 2027. Compared with the previous survey round, the expected trajectory of the unemployment rate was unchanged for 2025 and 2026 and revised down by 0.1 percentage points for 2027 (see **Chart 10**). Respondents generally observed that labour market conditions have remained resilient and relatively stable in recent months. The SPF expectations are in line with the June 2025 Eurosystem staff macroeconomic projections for 2025 and 2026 and 0.2 percentage points higher for 2027. Longer-term expectations for the unemployment rate (for 2030 in this round and 2029 in the previous round) remained unchanged at 6.2%.

Chart 10
Expectations for the unemployment rate

(percentages of the labour force)

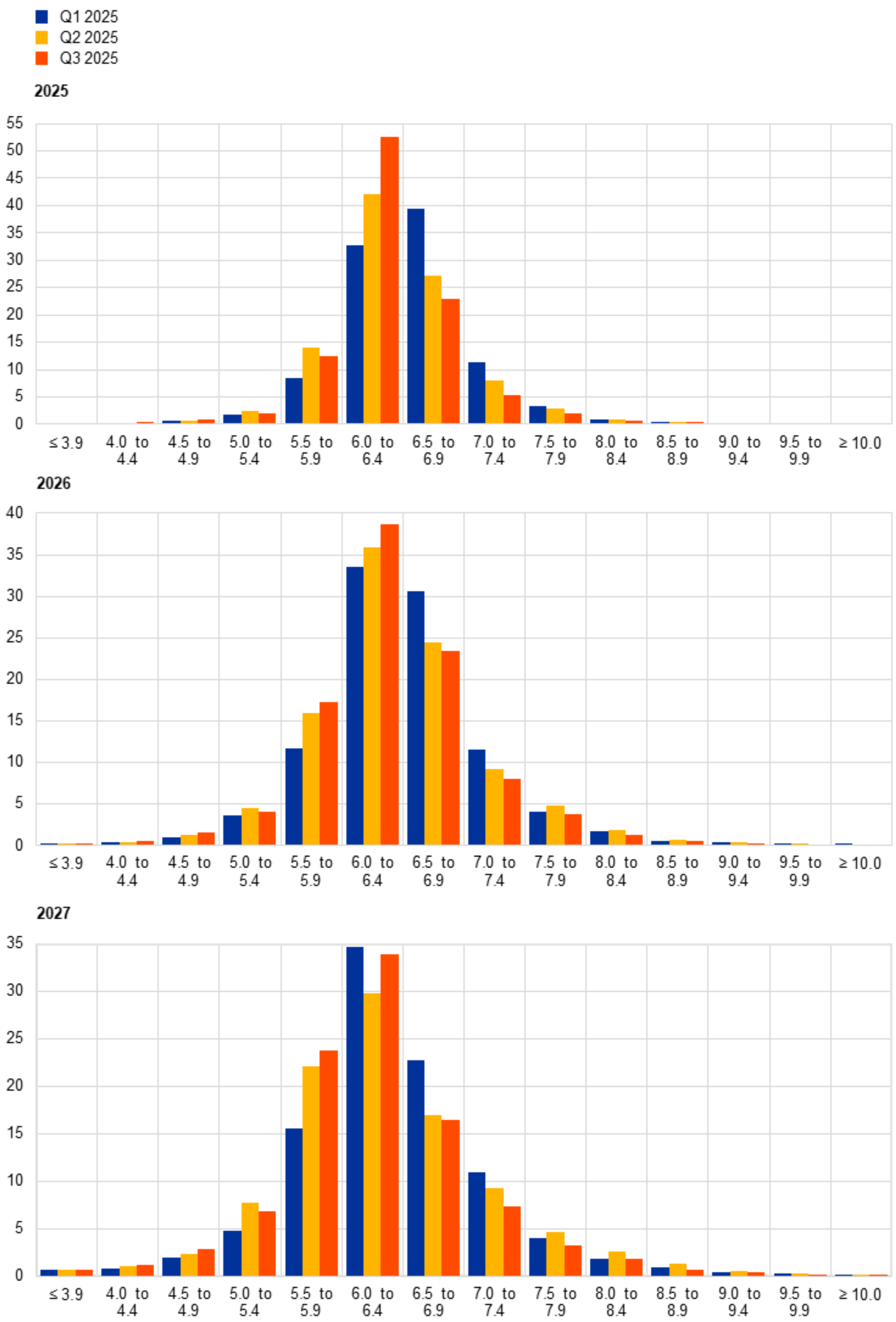


Compared with the previous survey round, the level of uncertainty surrounding unemployment rate expectations decreased. Aggregate uncertainty, as measured by the standard deviation of the aggregate distributions, decreased slightly for 2025-27 (see **Chart 11**) as well as for the longer term (see **Chart 12**). Respondents highlighted risks arising from escalating trade conflicts, which could adversely affect labour demand, as well as uncertainty about the effectiveness of future labour market reforms.

Chart 11

Aggregate probability distributions for the unemployment rate in 2025, 2026 and 2027

(x-axis: unemployment rate expectations, percentages of the labour force; y-axis: probability, percentages)

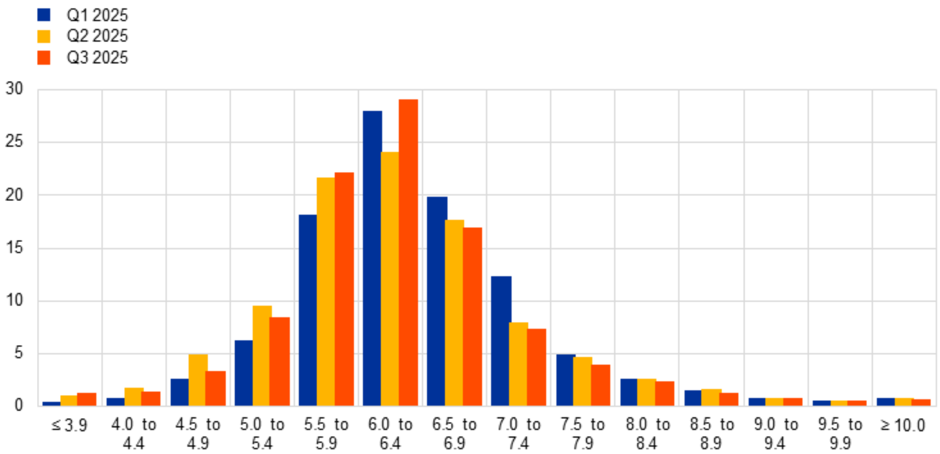


Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of unemployment rate outcomes for 2025, 2026 and 2027.

Chart 12

Aggregate probability distribution for the unemployment rate in the longer term

(x-axis: unemployment rate expectations, percentages of the labour force; y-axis: probability, percentages)



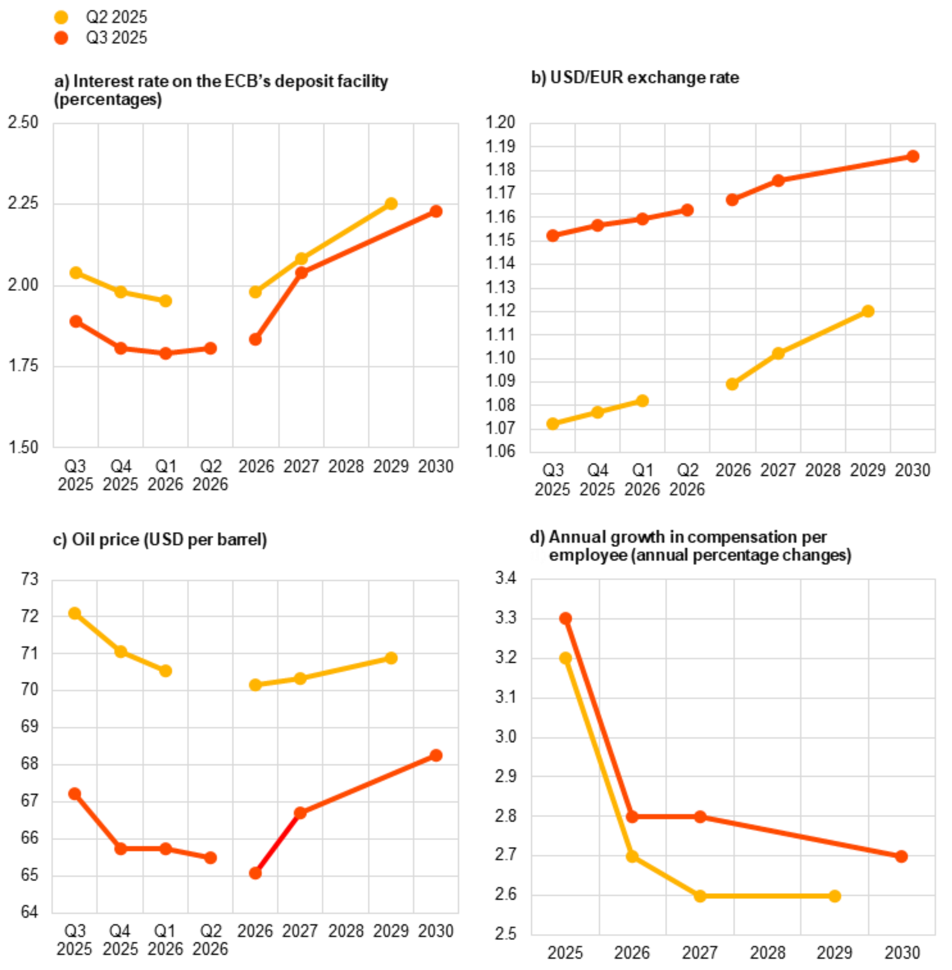
Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of unemployment rate outcomes in the longer term. Longer-term expectations refer to 2030 in the SPF for the third quarter of 2025; they referred to 2029 in the SPF rounds for the first and second quarters of 2025.

5 Expectations for other variables

Forecasters expected the ECB's deposit facility rate (DFR) to fall to around 1.9%, on average, in the third quarter of 2025 and to decrease further, to around 1.8%, in the last quarter of 2025 and into 2026, before increasing to 2.2%, on average, by 2027-30. They expected the euro to appreciate against the US dollar, from 1.15 in the third quarter of 2025 to 1.17 in 2026 and further to 1.19 in 2030, and oil prices to remain around USD 65-68 per barrel from the third quarter of 2025 through to 2030. They also expected nominal wages to increase by 3.3% in 2025, 2.8% in 2026 and 2027 and 2.7% in the longer term.

Chart 13

Expectations for other variables



Respondents expected the **deposit facility rate** to fall (from 2.00% currently) to around 1.9% in the third quarter of 2025 (with approximately half of the respondents expecting 2.00% and the other half expecting 1.75%) and further to an average of 1.8% in the fourth quarter, before remaining stable at that level throughout 2026.

Compared with the previous round, expectations were, on balance, adjusted marginally downwards (see **Chart 13, panel a**). Longer-term expectations for the deposit facility rate were also revised slightly downwards, with 2.00% being the most common (modal) response among respondents (though 45% reported 2.25% or a higher figure).

On average, the **USD/EUR exchange rate** was expected to rise from 1.15 in the third quarter of 2025 to 1.17 in 2026 and further to 1.19 in 2030 (see **Chart 13, panel b**). Compared with the previous round, expectations have shifted upwards and still point to future euro appreciation over the survey horizon.

Compared with the previous survey round, the expected level of **US dollar-denominated oil prices** was revised downwards over the entire survey horizon by approximately USD 5 per barrel to around USD 65-67 per barrel in 2026 and 2027 (see **Chart 13, panel c**).

Expectations for annual growth in **compensation per employee** were revised upwards by 0.1 percentage points for 2025, 2026 and the long term and by 0.2 percentage points for 2027 (see **Chart 13, panel d**).

Annex (chart data)

Excel data for all charts can be downloaded here.

Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website www.ecb.europa.eu

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