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European Economic Outlook

EY Economic Analysis Team

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Topics

Our estimates of the impact of tariffs are largely unchanged since May, despite the US-EU trade deal. EU GDP growth has been volatile due to tariff frontloading, but the underlying pace of expansion is still muted. Poland and Spain continue to post the strongest GDP growth*, while Germany and Italy remain the main laggards.

Update on trade tariffs:

- **On August 21, the United States and the European Union announced a trade deal that establishes a 15% tariff ceiling on most EU exports to the US.** This agreement replaces higher threatened rates, although steel and aluminum exports remain subject to a 50% tariff. Some goods, including aircraft, generic pharmaceuticals, and certain natural resources, are exempted from tariffs.
- As of August, **the US increased tariffs on imports from Canada to 35% on most goods**, with exemptions for energy and potash (10%). Goods originating under the USMCA remain generally exempt. Additionally, **a planned US tariff hike on Chinese goods (to 145%) was postponed again**, with the pause on new tariffs set to expire in November.
- Despite these developments, our assessment of the overall tariff impact on the EU economy outlined in the previous edition of the European Economic Outlook remains largely unchanged. **Tariffs are projected to reduce GDP growth in the European Union by approximately half a percentage point next year**, although the negative effects are expected to diminish in the long term. Globally, countries with strong export exposure to the US—such as Vietnam, Malaysia, and manufacturing-intensive European countries, as well as China and Mexico—will feel the most significant impact. In contrast, the effect on Southern European nations is anticipated to be limited. **While the US is experiencing a gradual uptick in inflation due to higher tariffs, for the rest of the world, including Europe, tariffs have a disinflationary effect**, not least due to lower commodity prices.

Economic activity in recent quarters:

- **Quarterly growth rates in the euro area have been heavily affected by tariff frontloading, while the underlying pace of activity remains subdued.** Real GDP rose sharply by 0.6% q/q in the first quarter of 2025, as exports surged ahead of anticipated US tariffs, particularly in Ireland, but slowed to 0.1% in the second quarter as frontloading effects partially unwound. Excluding Ireland, growth in the first half of 2025 averaged 0.2% q/q, broadly in line with 2024.
- **Growth disparities persist,** with Ireland recording an exceptionally high GDP growth rate of 18% y/y in the second quarter of 2025 as multinational companies, particularly in the pharmaceutical sector, rushed to frontload US tariffs. Among larger economies, Poland and Spain continued to outperform peers, while Germany and Italy almost stagnated.
- **Private consumption continued to grow, albeit at a somewhat slower pace than in 2024,** as tariffs weighed on consumer sentiment. Despite lower interest rates, **investment remains stagnant**, particularly due to tariff-related uncertainty and stable profits. **Exports are similarly flat**, in spite of support from tariff frontloading and recovery in global trade, **as euro appreciation exacerbated long-standing structural competitiveness issues. Manufacturing growth picked up on the back of tariff frontloading and has caught up with services**, with ICT and pharmaceuticals as standout performers. Growth in construction has also accelerated, driven by monetary policy easing and government investment.
- **Labor market indicators suggest cooling momentum,** as employment growth slows, vacancy rates decline, and nominal wage growth decelerates. Nevertheless, real wage fund growth remains robust, providing continued support to consumer spending. Despite some labor market cooling, unemployment remains close to historical lows in the euro area, as continued declines in Spain are offset by modest increases in Germany and France.

* Poland and Spain are leading in growth among the largest EU economies. However, Ireland recorded the highest overall growth rate, followed by Bulgaria, Cyprus, and Croatia.

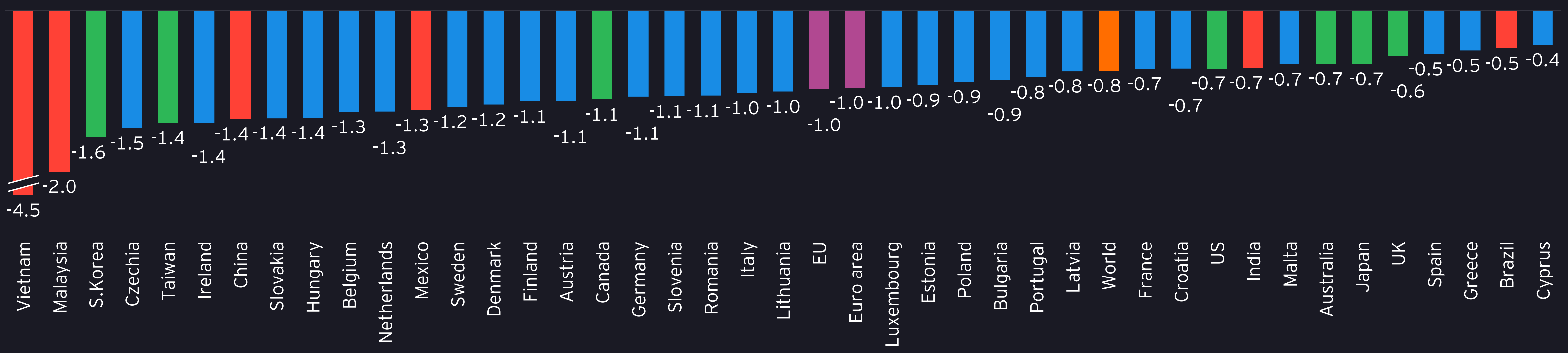
Strong growth in Ireland has lifted our 2025 euro area GDP growth forecast to 1.3%. We anticipate growth to moderate to 1.1% in 2026, when the impact of tariffs is expected to peak, before reaccelerating in 2027-28, supported by fiscal expansion in Germany

GDP outlook:

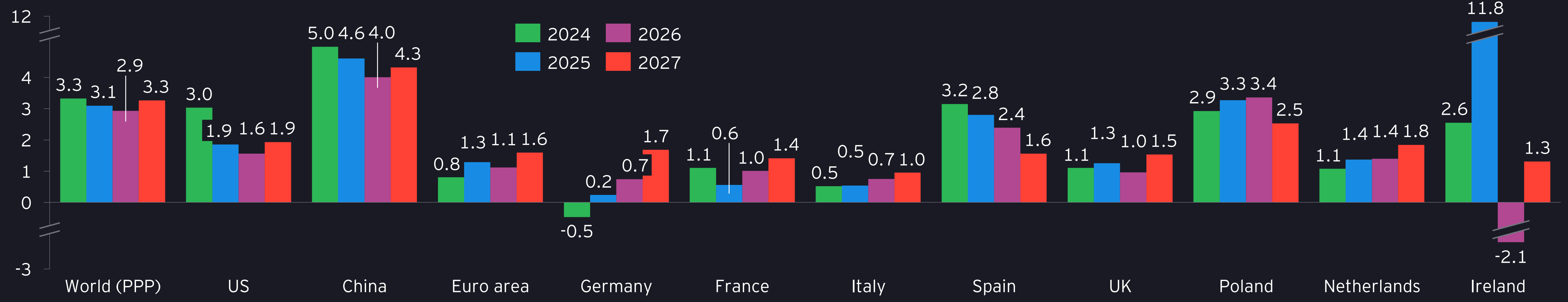
- **The euro area GDP growth forecast for 2025 has been revised up to 1.3%,** driven primarily by exceptionally strong growth in Ireland. The drivers of the euro area growth include private consumption bolstered by rising real wages, government spending—including Next Generation EU and military outlays—and the reversal of the inventory cycle, while exports and private investment are hindered by tariffs. **Growth is expected to moderate to 1.1% in 2026 due to the negative effects of tariffs**, particularly on the Irish economy. **In 2027 and 2028, recovery is expected, with growth accelerating to 1.6% and 1.8%, respectively, aided by fiscal expansion in Germany**, lower interest rates, and further increases in military spending.
- **The pace of growth remains uneven across countries, though some convergence is expected in the coming years.**
  - Among the largest European economies, **Poland** is set to maintain the strongest growth of 3.3% in 2025 and 3.4% in 2026, driven by robust real income gains, expansionary fiscal policy, and elevated public investment, before gradually slowing.
  - **Spain** is projected to continue expanding, recording 2.8% growth in 2025, supported by immigration and tourism, but its growth is anticipated to moderate towards 1.5-1.6% by 2027-28.
  - **Germany** remains effectively in stagnation, with a meagre 0.2% growth anticipated this year. Given the drag from tariffs and gradual implementation of the fiscal package, we expect only a slight improvement to 0.7% in 2026 before growth accelerates above 1.5% in the following years.
  - **France's** growth outlook is subdued due to political and fiscal challenges. We expect growth to slow to 0.6% in 2025 before gradually accelerating towards 1.0% in 2026 approximately 1.5% in 2027-28.
  - **The Italian economy** is expected to grow slowly, maintaining the 0.5% pace seen last year, with a gradual improvement towards 1.0% in 2027-2028.
  - **In the UK**, despite a strong start to 2025, growth is forecast to slow from 1.2% in 2025 to 1.0% in 2026 amid headwinds from higher inflation, tariffs, and tighter fiscal policy, before picking up again to 1.5% in 2027.
- The main risks to this outlook remain significant, particularly in light of ongoing geopolitical tensions, disruptions in international trade, and concerns regarding fiscal stability.

Impact of tariffs and GDP growth forecasts

Peak tariff impact on GDP (in per cent)



Real GDP growth in 2024-2027 (in percentage)



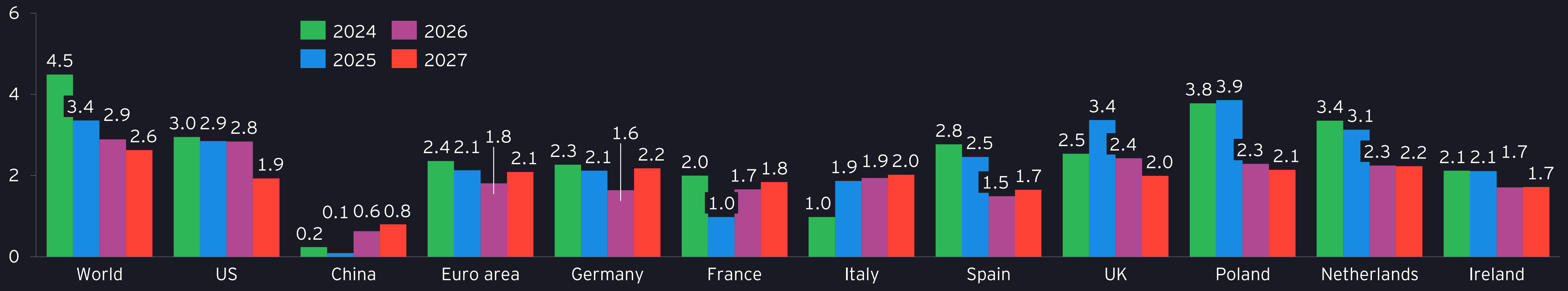
Source: Oxford Economics, Eurostat, EY EAT forecast, EY Parthenon (US forecast), UK Item Club (UK forecast), EY Italy

Inflation is expected to remain close to 2% y/y in the euro area, with cross-country disparities gradually diminishing

Inflation outlook:

- **In the second and third quarters of 2025, euro area headline inflation remained near the ECB target, with the Harmonised Index of Consumer Prices at 2.0% y/y in Q2 and 2.1% in Q3. Core inflation declined modestly to 2.4%, remaining slightly above headline inflation,** driven primarily by service prices, whose growth eased to 3.2% in September. Food inflation remains moderately elevated, influenced by lingering supply shocks. In contrast, energy prices remain a disinflationary force due to lower oil prices and euro appreciation.
- **Inflationary pressures are expected to remain contained, with headline and core inflation staying close to 2% throughout the forecast horizon.** In 2026, euro area headline inflation is forecast to drop slightly to 1.8% on the back of a further decline in core inflation, moderation in food inflation, and continued declines in energy prices. In 2027, headline inflation is projected to rise to 2.1%, driven by an increase in energy prices resulting from the planned expansion of the EU Emissions Trading Scheme (ETS), despite a further decline in food inflation.
- **Inflation disparities across EU countries are notable.** Romania remains an outlier with the highest inflation rate—above 8%—due to sizeable indirect tax hikes. Several other Central and Eastern European countries (Slovakia, Croatia, Hungary, Bulgaria, and the Baltics) follow with inflation close to 4%, as strong wage growth and local supply shocks continue to push up core and food prices. The UK is a curious case where utility bill, minimum wage, and social security contribution hikes, alongside still-elevated wage growth, pushed inflation back up to 3.8% in August. On the other side of the spectrum, Switzerland continues to flirt with deflation, while in France, inflation is running around 1% due to subdued wage growth and a drop in regulated electricity prices. **Looking ahead, cross-country inflation disparities are anticipated to diminish**, with 2026 inflation in the largest economies ranging from 1.5% in Spain to 2.4% in the UK, before converging towards 2% in 2027.

Inflation in 2024-2027 (in percentage)



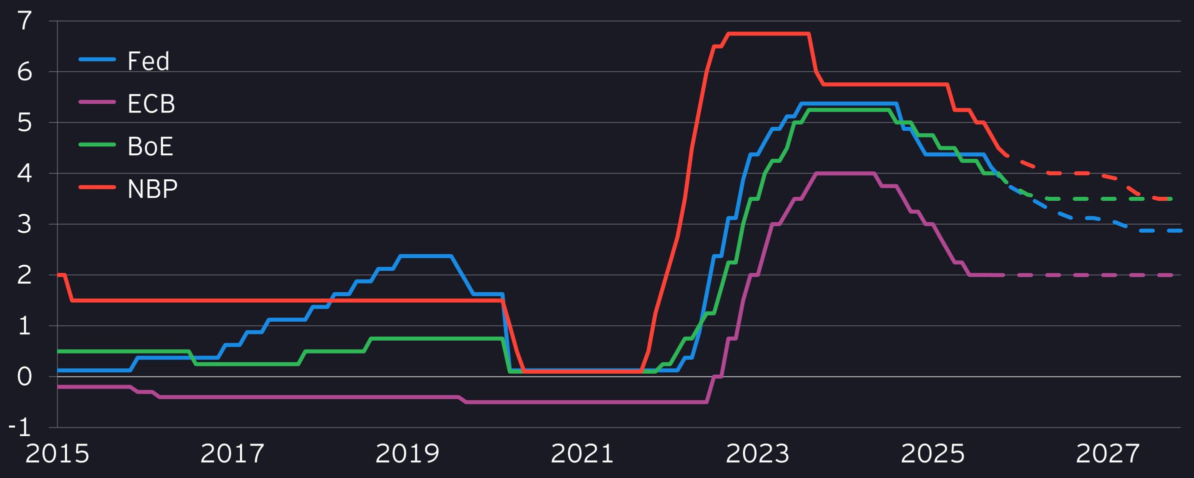
Source: Oxford Economics, EY EAT forecast, EY Parthenon (US forecast), UK Item Club (UK forecast), EY Italy

We expect the ECB to hold rates at 2%, while the Fed is set to continue easing following the September cut. The balance of risks is tilted to the downside

Monetary policy:

- **The Federal Reserve resumed monetary easing in September, cutting its policy rate by 25 basis points to a range of 4.00–4.25%.** Despite inflation remaining above the 2% target, the FOMC prioritized rising risks to its maximum employment mandate. We forecast two more 25 bp rate cuts this year and an additional 50 basis points of easing in 2026.
- The European Central Bank (ECB) lowered the deposit rate by a cumulative 200 basis points from its 2024 peak to 2.0% in June. Given inflation close to the target and decent GDP growth, the ECB appears comfortable with its current stance. **We expect the ECB to keep rates unchanged,** though risks are tilted to the downside should growth disappoint, or inflation fall noticeably below the target.
- **The Bank of England decided on another rate cut,** with the Bank Rate at 4.0% in August, down from 5.25% in 2024. Amid rising inflation, the MPC is likely to adopt a cautious stance for the rest of 2025. While our base case assumes one more rate cut this year, the chances of that happening are finely balanced. In any case, we expect two more rate cuts, bringing the Bank Rate to its estimated neutral level of 3.5% by mid-2026 at the latest.
- **In light of declining inflation, the National Bank of Poland (NBP) cut interest rates by 125 basis points between May and October, reaching 4.5%.** We anticipate two more rate cuts by early 2026, bringing the reference rate to 4.0%. As core inflation is expected to reaccelerate in 2026, the NBP is likely to pause for the remainder of that year before reducing rates further to the terminal 3.5% level in 2027.

Central bank interest rates (In percentage)



Source: Oxford Economics, ECB, Fed, BoE, NBP, EY EAT forecast, EY Parthenon (US forecast), UK Item Club (UK forecast).

Chapter 1

Economic impact of trade tariffs

Over the past few months, the US administration has imposed "reciprocal" or country-specific tariffs on imports from all its trade partners. The highest tariffs target imports of steel, aluminum, motor vehicles, and copper products. Retaliation from other nations has been very limited

US tariff threats and actions

Target	Tariff	Status
China	20% "fentanyl" tariff on goods	Took effect on March 4
	34% on goods (with some exceptions)	Paused until November 10
	Additional tariff hike in response to China's rare earths export controls	Threatened
Canada, Mexico	35%/25% "fentanyl" tariff on goods from Canada/Mexico not covered by the USMCA; 10% on Canada energy; 10% on Canada and Mexico potash	Took effect on March 4 (35% on Canada implemented on August 1)
Brazil	40% "free speech" tariff on most goods, except energy, aviation, and industrial materials	Took effect on August 6
All nations	50% on steel and aluminum (25% on the UK)	Took effect on March 12, adjusted on June 4
	25% on cars and auto parts (15% on the EU, Japan, and Korea; 10% on the UK)	Took effect on May 3, adjusted on August 7
	50% on semi-finished copper products and intensive copper derivative products	Took effect on August 1
	10% on lumber and 25% on wooden furniture (10% on the UK, 15% on the EU)	Took effect on October 14, to be raised in January
	25% on trucks and truck parts, 10% on buses, 100% on maritime cargo handling equipment	Effective from November 1
	Tariffs on pharmaceutical, semiconductors, commercial aircrafts, wind turbines	Investigated under Section 232, not effective
	40% transshipment penalty on shipments rerouted to avoid tariffs	Took effect on August 7
All nations that import Venezuelan, Iranian or Russian oil	25-50% on all goods	Threatened, effective for India from August 27
All nations but Canada and Mexico	"Reciprocal" tariffs (country-specific rates of 10%-41% , based on trade deficit) on most goods, except pharmaceuticals, semiconductors, lumber, copper, electronics, and goods covered by sectoral tariffs	Took effect August 7

Retaliatory threats and actions

Country	Tariff	Status
China	10% on goods (with some exceptions)	Took effect on May 13
	34% on goods (with some exceptions)	Paused until November 10
	Non-tariff countermeasures	Paused until November 10
	Rare-earth export controls	Effective from December 1
Canada	25% on USMCA non-compliant goods	Removed on September 1
	25% on steel and aluminum, and USMCA non-compliant vehicles	Took effect on March 12
EU	Threats on retaliatory tariffs on various goods	Withdrawn
Mexico	Threats on retaliatory tariffs (without details)	Threatened, not effective
Brazil	50% on goods	Threatened, not effective

Source: EY-Parthenon Macroeconomic Executive Briefing, governments websites.
Note: Tariff status as of October 20, 2025

Quick guide to the key figures from the EU-US trade deal

New U.S. tariff structure:

- **15%** — The baseline tariff on most EU exports to the US has been established. The US guaranteed a 15% tariff ceiling on exports of pharmaceuticals and semiconductors (no tariff yet), as well as on certain lumber products (some of which are subject to a global tariff of 25%)
- **15%** — Tariffs on cars and car parts have been reduced from 27.5% to 15%, retroactive to August 1, 2025
- **50%** — Tariffs on steel, aluminum, and copper products will remain at their current levels
- **~0%** — Exemptions (only MFN tariffs*, which are effectively zero or close to zero):
  - Aircraft and aircraft parts
  - Generic pharmaceuticals and chemical precursors
  - Natural resources unavailable in the US (e.g., cork)

EU Commitments

- **0%** — The 0% tariff on industrial goods imported from the US. Two-thirds of industrial goods were already tariff-free, and the EU will now eliminate the remaining low tariffs.
- **Tariff cuts on agriculture** — The EU will lower tariffs and set TRQs** for products like seafood, nuts, grains, oilseeds, and processed foods. Sensitive items such as beef, poultry, rice, and ethanol, will remain excluded.
- **$750 bn** — The EU will purchase $750 billion worth of US energy by 2028 (liquefied natural gas, oil, and nuclear energy products)
- **$600 bn** — The EU pledges $600 billion for US projects by 2028. The announced investment target is entirely based on the private investment intentions of EU companies

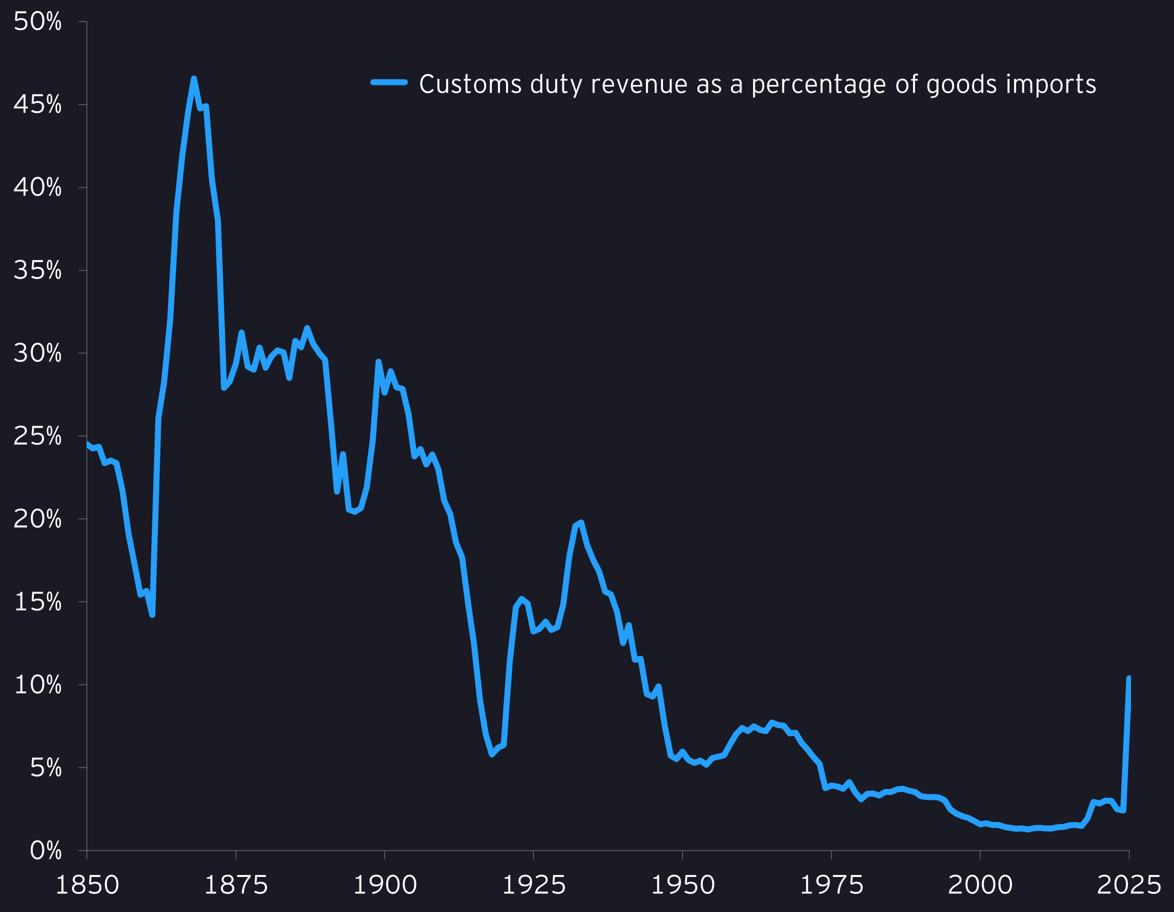
* **MFN tariff** stands for **Most Favored Nation tariff**. It is the **standard, non-discriminatory tariff rate** that a World Trade Organization (WTO) member applies to imports from all other WTO members, unless a preferential trade agreement exist. In the EU-US trade deal context it means that those **products avoid the new 15% baseline tariff and will only pay the standard WTO rate**, which is much lower.

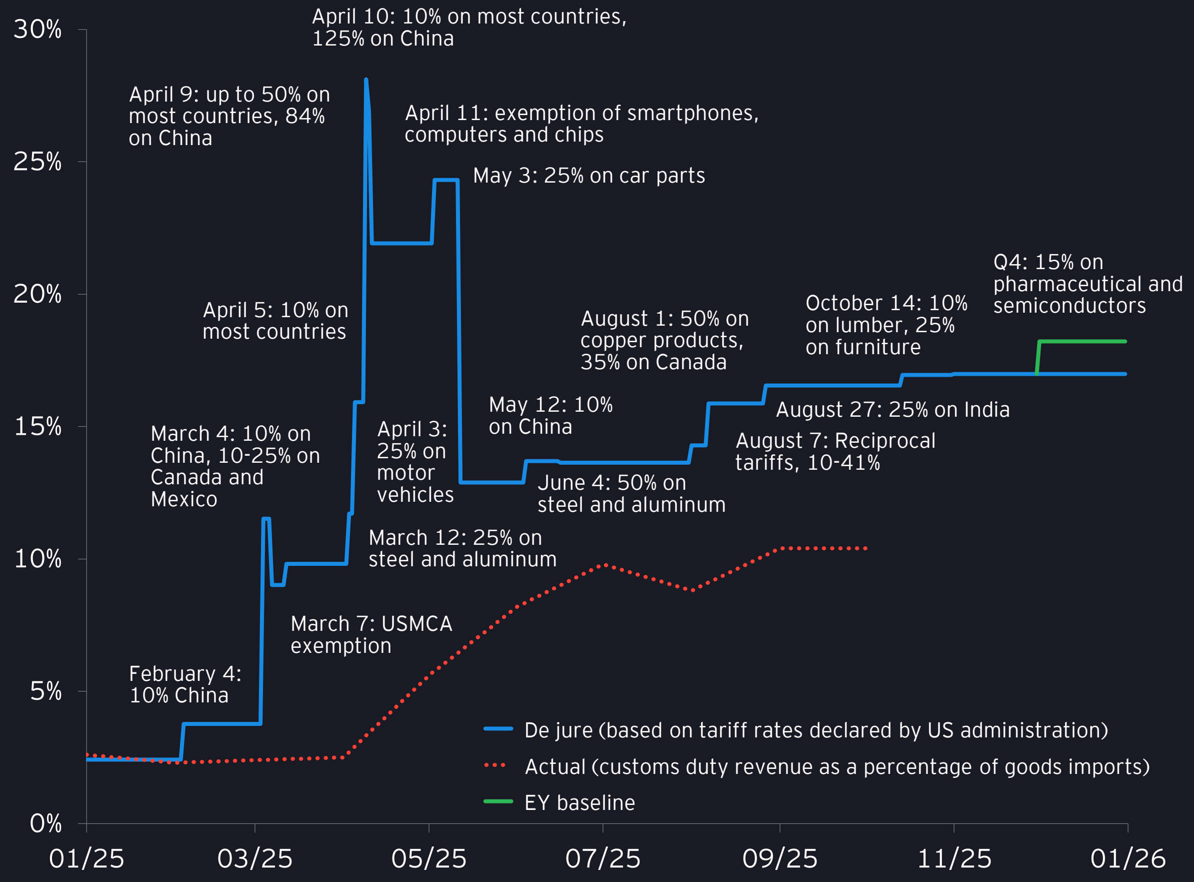
** **TRQ** stands for Tariff Rate Quota. It's a trade policy tool that combines two elements: quota - a fixed quantity of a product that can be imported at a lower (or zero) tariff rate; and above-quota tariff: once that quota is filled, any additional imports face a much higher tariff.

Note: Tariff status as of October 20, 2025.

US policies have pushed effective tariff rates to post-WWII highs, though actual rates remain significantly below those implied by regulations due to rerouting of exports, reclassification of goods, and non-compliance

Average effective tariff rate in the US
(in percentage)





Source: The Budget Lab at Yale, WITS, the White House, EY EAT calculations.

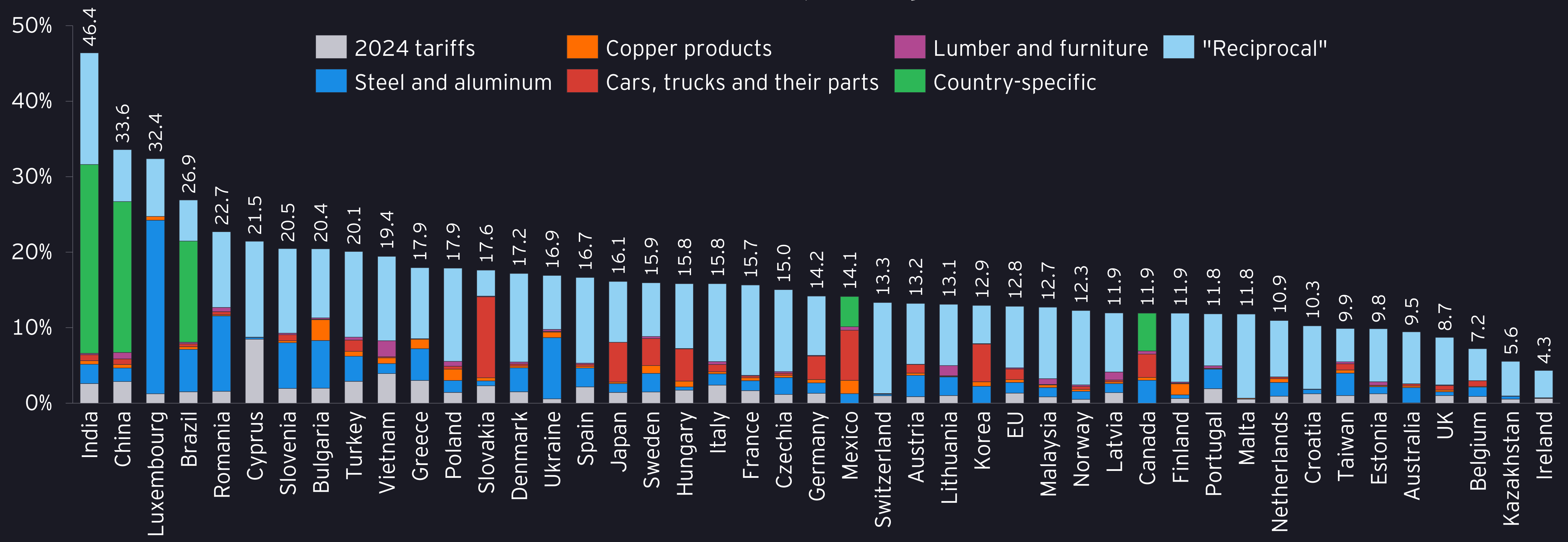
EY

Effective tariff rates vary significantly due to differences in the sectoral structure of exports, sectoral exemptions, as well as country-specific rates negotiated through bilateral agreements

- Following significant tensions between the US and China in the spring, bilateral negotiations helped de-escalate the conflict. The pause in tariff increases was extended until November, leading to a current effective rate of 34% on Chinese imports to the US. However, China's recent imposition of export controls on rare earth metals has reignited the conflict, with the US threatening to introduce new tariffs.
- Other economies experiencing a significant increase in tariff rates include those targeted for political reasons (India, Brazil) and those with a relatively large share of their exports to the US concentrated in the steel and aluminum sector (Luxembourg, Romania, Bulgaria, Slovenia).
- Meanwhile, for countries with a high share of automotive exports to the US (Slovakia, Japan, Korea, Hungary), tariffs have been relatively less detrimental than initially anticipated, thanks to negotiated reductions in trade deals.

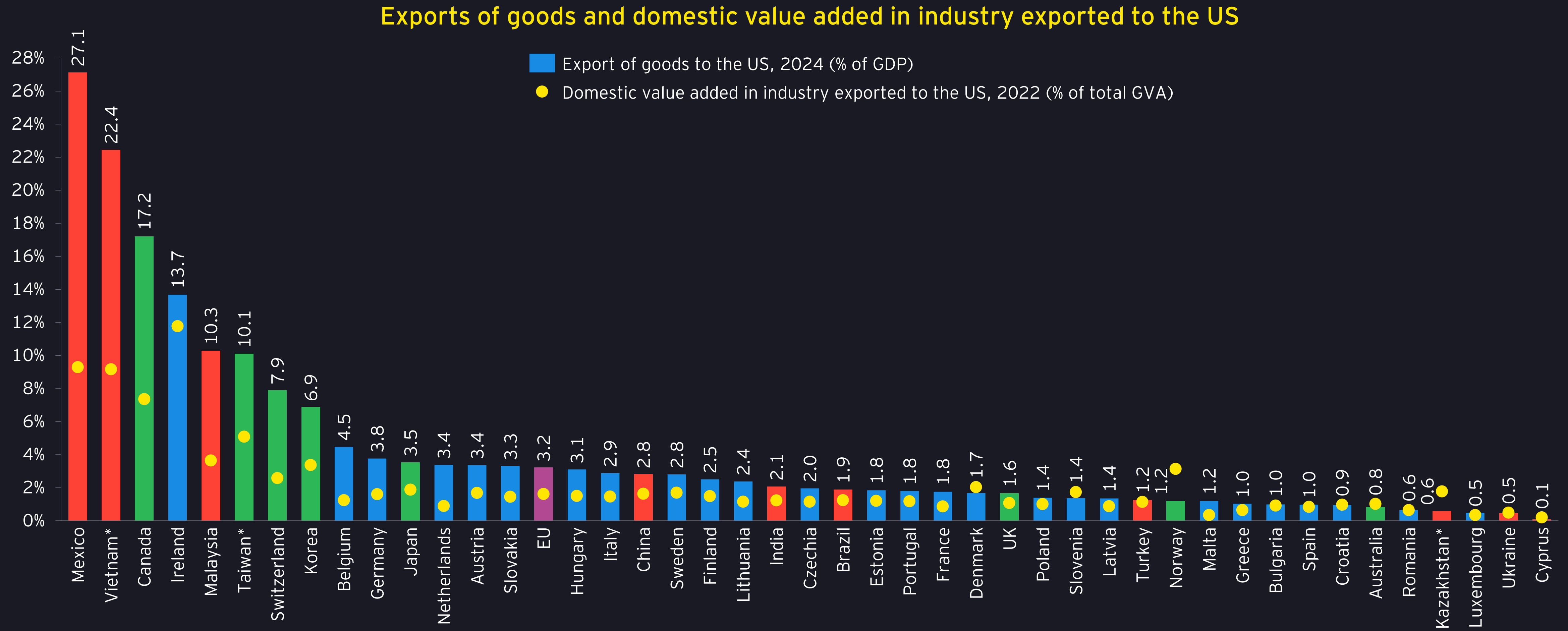
Average effective tariff rate in exports to the US, as of October 20

(in percentage)



Source: EY EAT calculations, WITS database.
Notes: Effective tariff rates calculated by multiplying new sectoral and regional tariffs by country's structure of exports to the US.

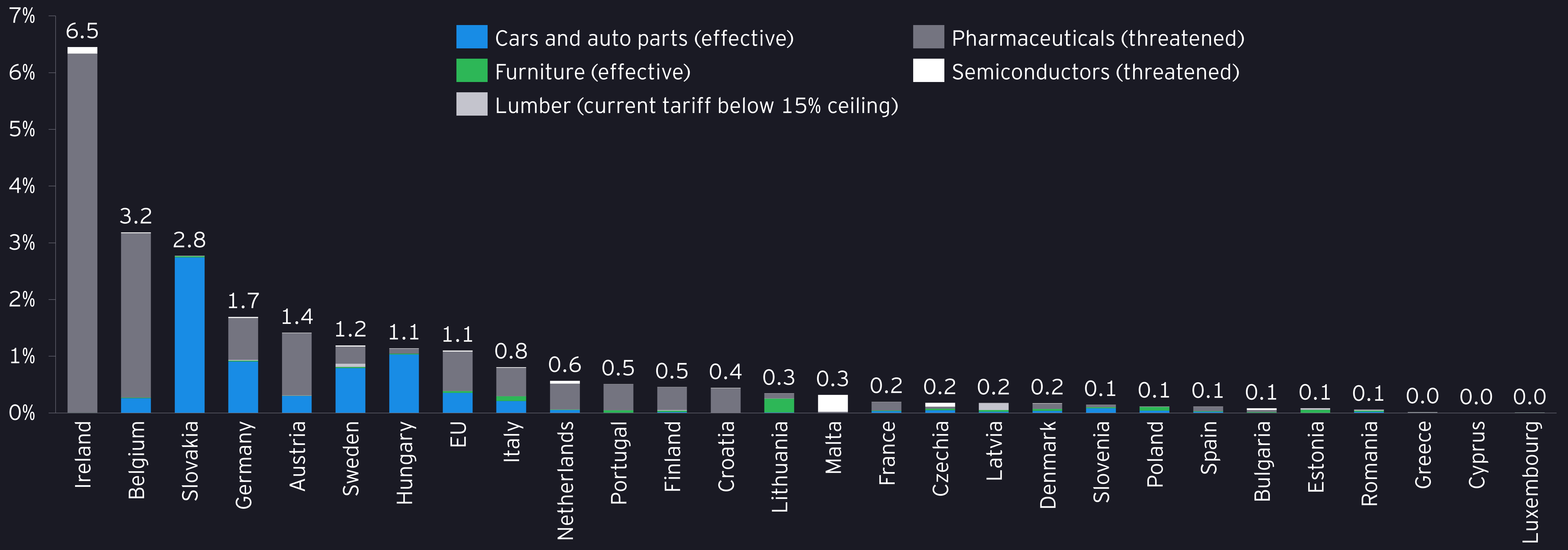
The economic impact of tariffs is influenced not only by effective tariff rates but also by trade relationships with the United States. Mexico, Canada, Ireland, and Vietnam are particularly vulnerable to any tariff increases, while most European countries exhibit a lower level of exposure



Source: EY EAT calculations, OECD, WITS, World Bank, Oxford Economics.
* Exports of goods in 2023.

The impact of tariffs on the EU is mitigated by the trade deal with the US, providing some relief to the European automobile and, potentially, pharmaceutical industries. Ireland, Belgium, and Slovakia are the potential biggest winners from the deal

Exports to the US protected by the EU-US trade deal from higher tariffs* (% of GDP)



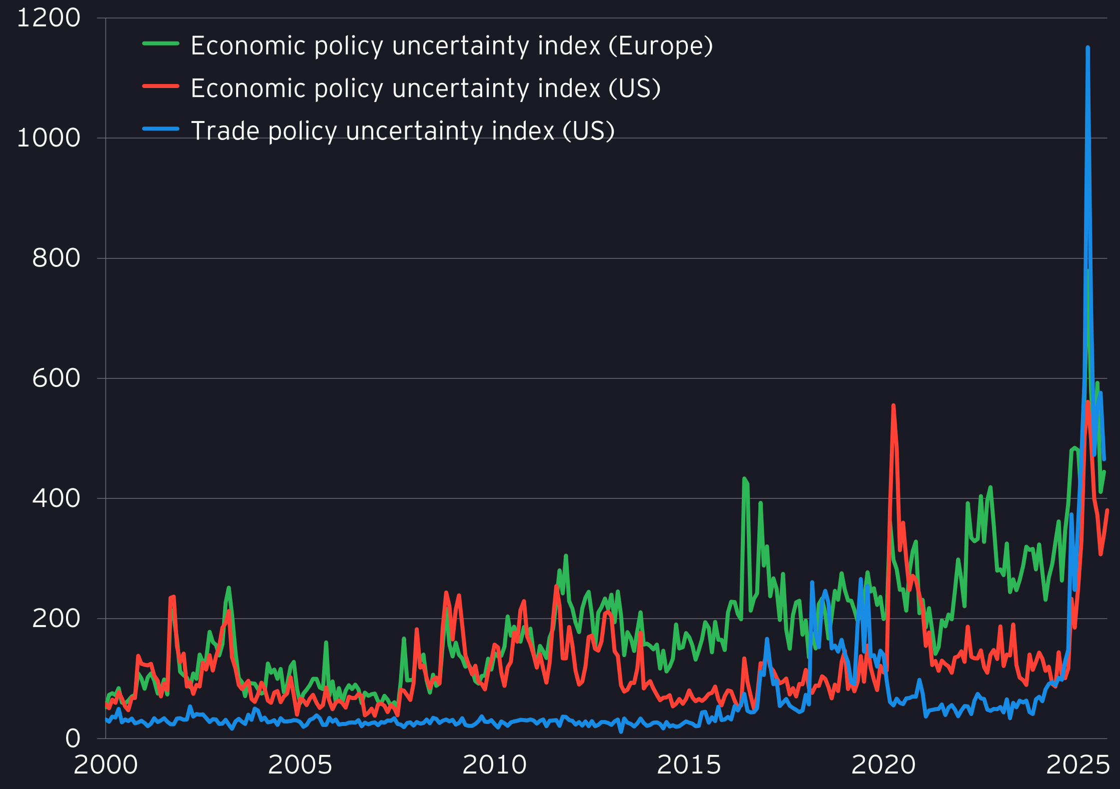
Source: EY EAT calculations, WITS, Eurostat.

* Protected export products are those shielded from higher tariffs that would apply in the absence of the deal, where global tariffs would take effect. Currently, there are no tariffs on pharmaceuticals and semiconductors, but this is likely to change in the near future, as indicated by the assumptions underlying our baseline scenario (see next slides). Lumber products are also protected by the deal, but the current tariff stands at 10%, below the agreed ceiling level.

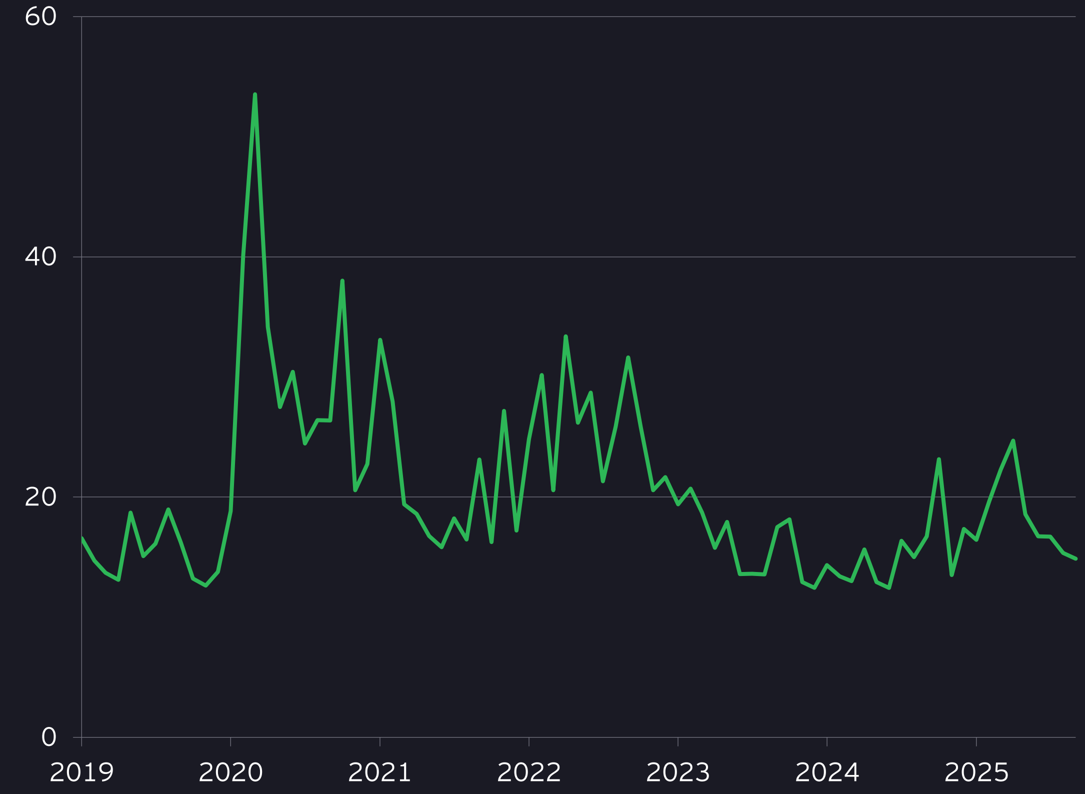
The recent EU-US trade agreement has contributed to a notable reduction in trade policy uncertainty, even though it remains high

- The trade deal should provide businesses with a clearer framework, stabilizing expectations and mitigating some downside risks to growth. However, residual uncertainty persists due to the potential for renewed trade tensions and the ongoing approval process for the agreement.
- Despite still-elevated trade policy uncertainty, measures of overall economic uncertainty, such as the VIX, are close to post-pandemic lows, indicating that the impact of tariffs on economic activity through the uncertainty channel has been relatively muted.

Economic and trade policy uncertainty indices



S&P 500 Volatility Index

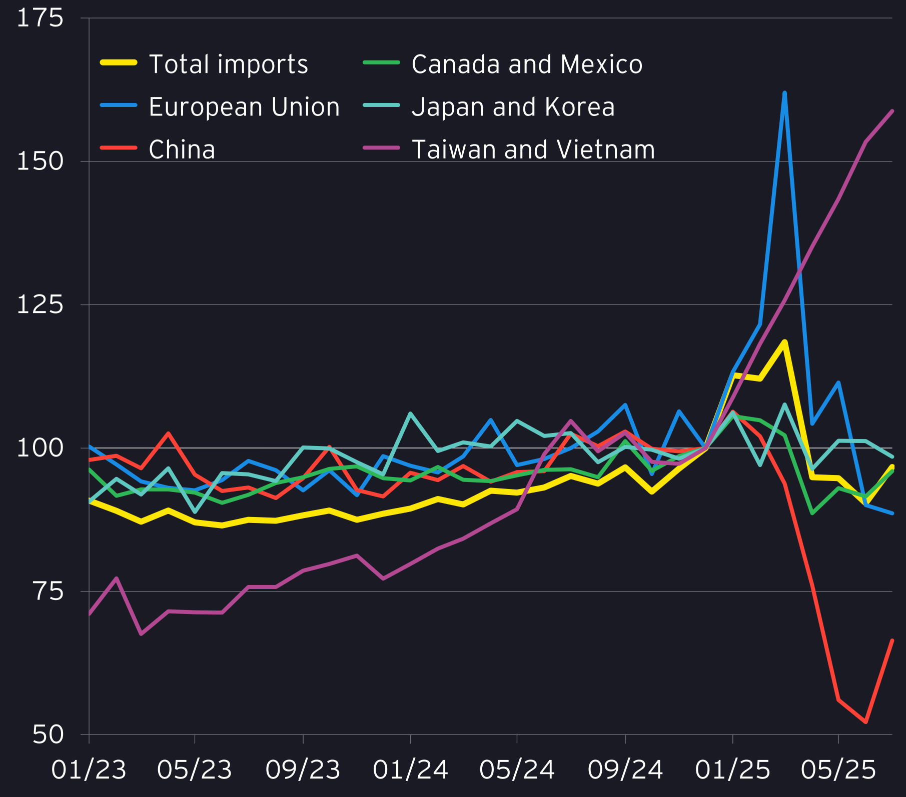


Source: Baker, Scott R., Bloom, Nick and Davis, Steven J., Economic Policy Uncertainty Index for Europe and United States, retrieved from FRED;
Caldara et al. (2020), "The Economic Effects of Trade Policy Uncertainty," Journal of Monetary Economics, 109, pp.38-59, data downloaded from https://www.matteoiacoviello.com/tpu.htm, investing.com.

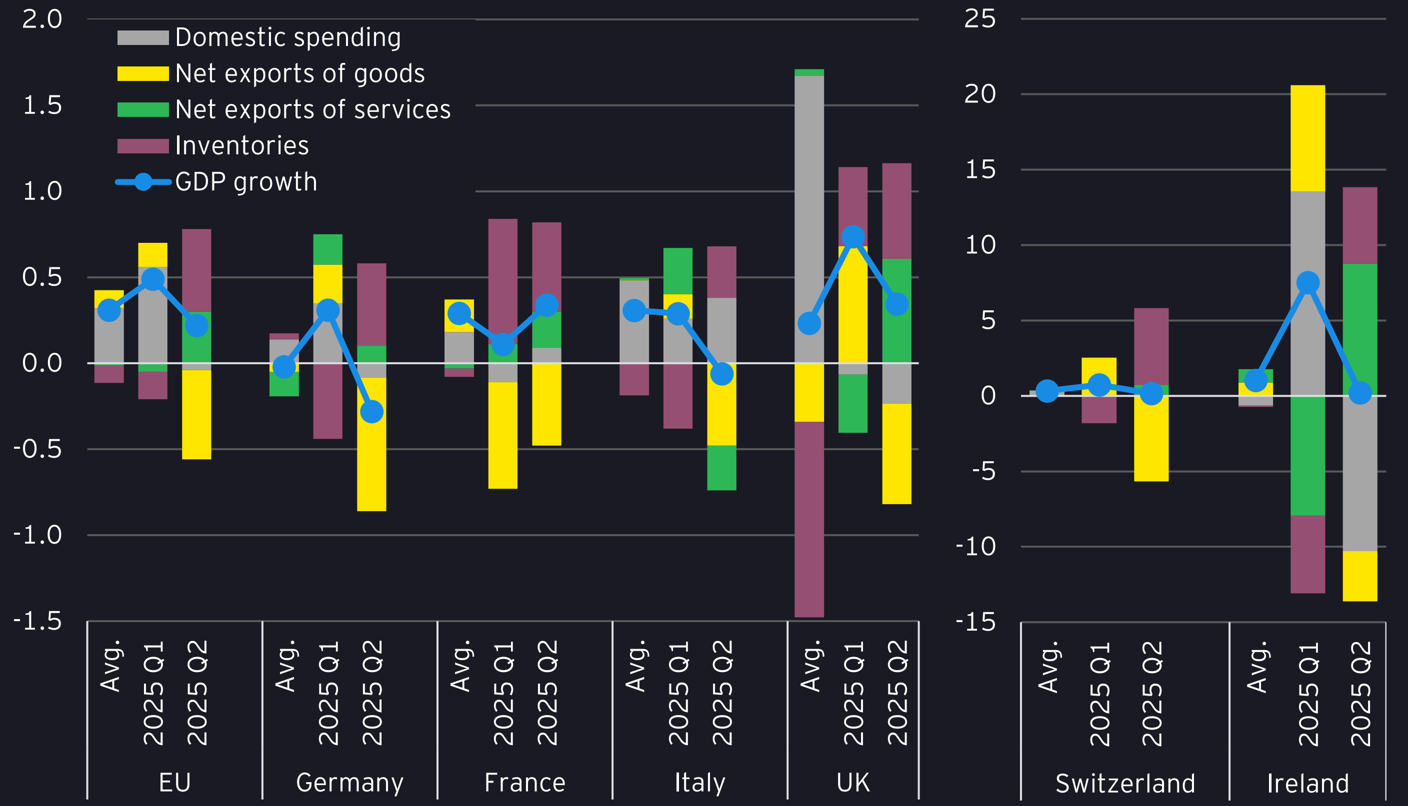
US firms rushed to frontload shipments ahead of expected tariff increases, resulting in a sharp surge in imports. This boosted GDP growth in Europe in Q1 but led to a reduction in growth in Q2

- Frontloading peaked in 2025 Q1, and following the "liberation day", imports from most countries, especially China, plummeted. The exception was Southeast Asian countries, which may have benefited from their intermediary role in circumventing tariffs on China; however, this trend has been hindered by the implementation of "reciprocal" tariffs in August.
- From the perspective of US trade partners in Europe, frontloading—aside from providing a significant boost to growth in Ireland—resulted only in a temporary shift in trade and had little overall impact on the economy. While it supported growth in Q1, it subsequently weighed on it in Q2. That said, movements in net goods exports were largely offset by changes in inventories.

US imports of goods from main trade partners (Dec 2024 = 100)



Contribution of net export of goods to GDP growth, main US trade partners in Europe (q/q, percentage points)



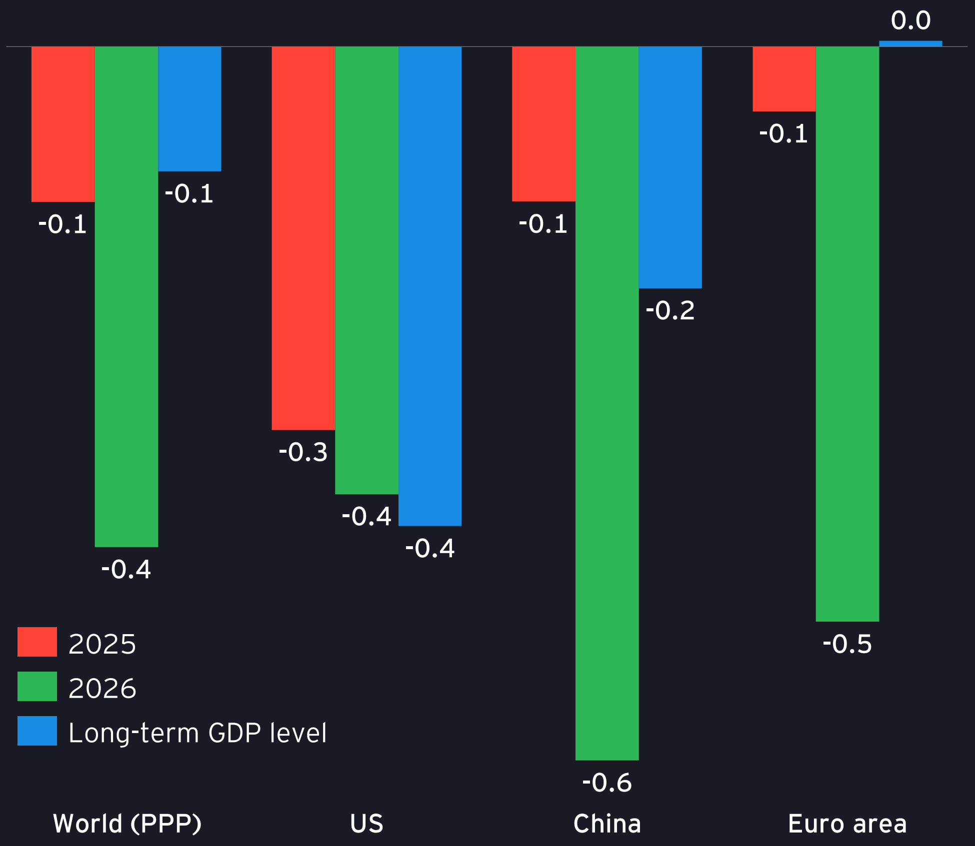
Source: U.S. Census Bureau, Eurostat, Oxford Economics, EY EAT calculations.
Notes: Contribution of domestic spending to GDP growth includes all GDP components other than net exports and inventories. Avg. is the average rates between 2022Q1 and 2024Q4.

Under our baseline scenario, tariffs are projected to reduce GDP growth in the euro area by approximately 0.5 percentage points next year. However, the negative effects are expected to fade in the long term

In our baseline scenario, we assume:

- **Reciprocal tariffs will remain at their current levels**, as announced on July 31. The suspension of the 34% reciprocal tariff on China will persist, maintaining it at the current rate of 10%, with existing sectoral exemptions continuing indefinitely.
- **Additional sectoral tariffs will be imposed from 2025 Q4**, targeting imports of semiconductors and pharmaceuticals, with effective tariff rates set at 15% for these products.
- **No new retaliatory tariffs will be imposed by other countries**, aside from those already established by China and Canada.
- **All other tariffs** (including those on steel and aluminum, motor vehicles, 20% tariffs on China, tariffs on non-USMCA compliant goods from Canada and Mexico, and the additional 25% tariff on India for importing Russian oil) **will remain unchanged in their current form.**

Y/y GDP growth – deviation from the no-tariff scenario (in percentage points)

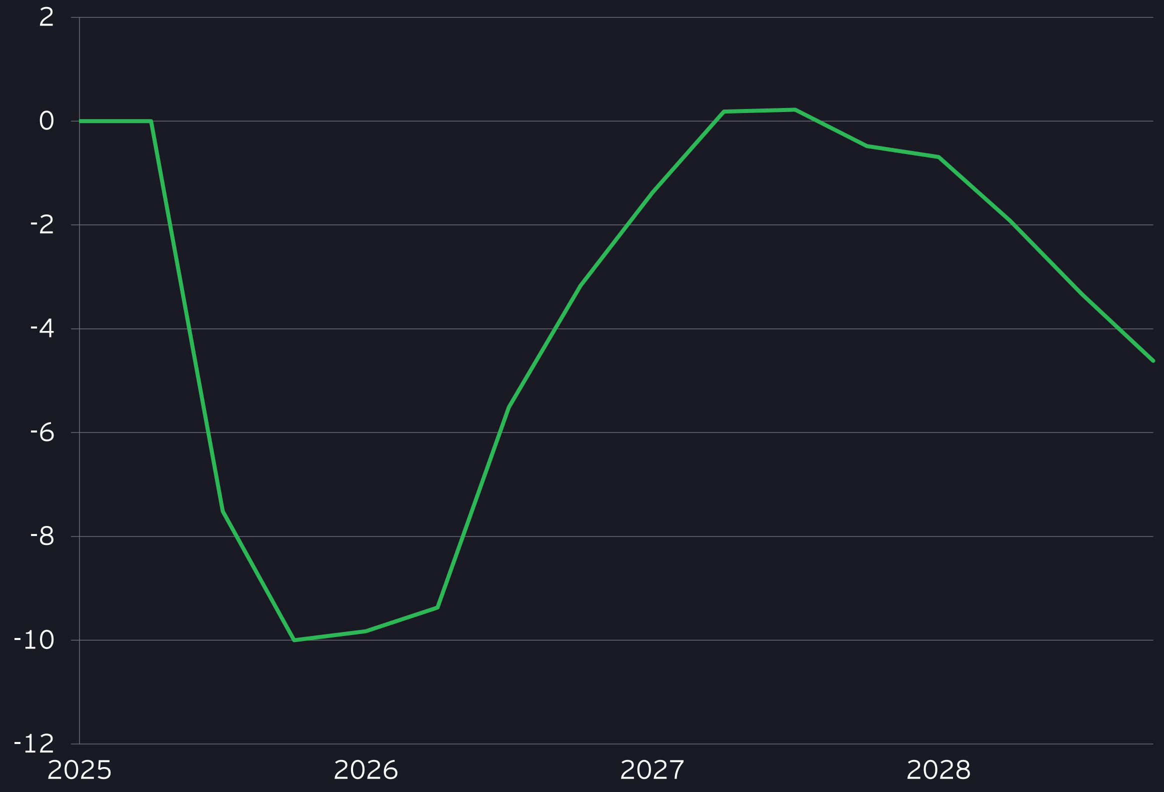


Source: EY EAT calculations.

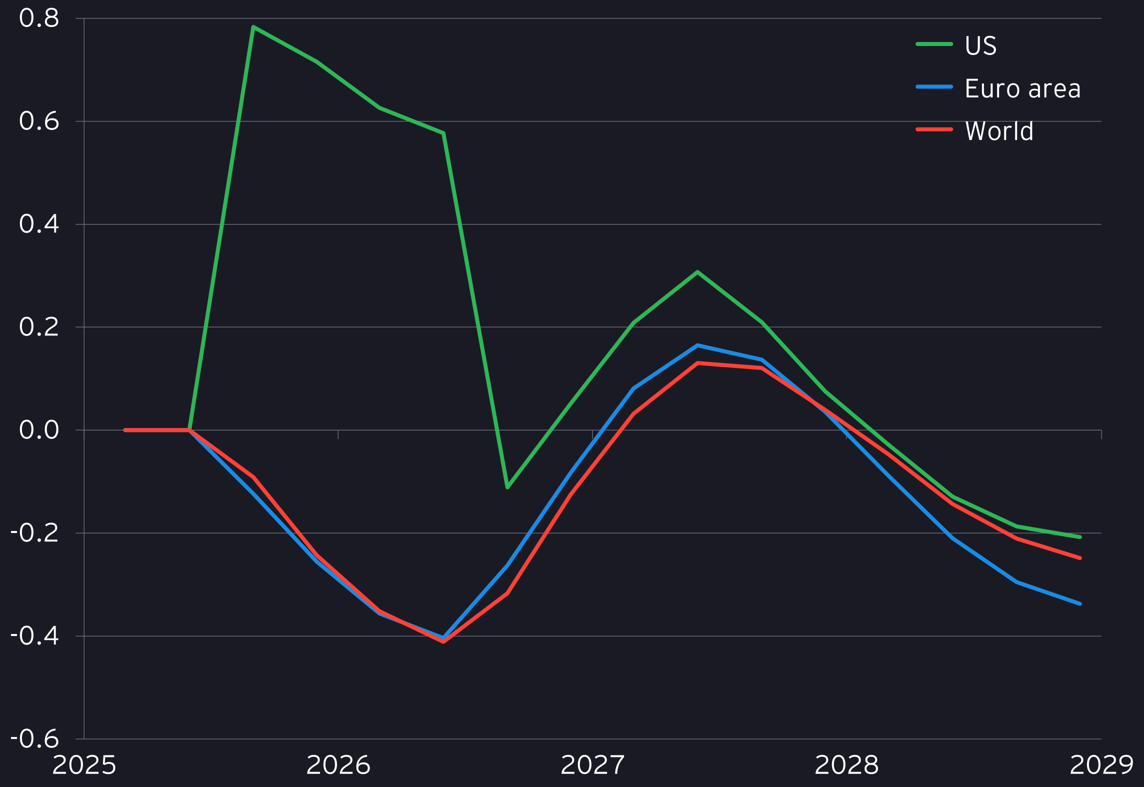
The global economic slowdown and increased uncertainty lead to a drop in commodity prices, particularly oil. Lower commodity prices and subdued economic activity will be disinflationary in the euro area

- In contrast to Europe, tariffs in the U.S. are expected to lead to a transitory reacceleration of inflation.

Oil price – deviation from the no-tariff scenario
(in percentage points)



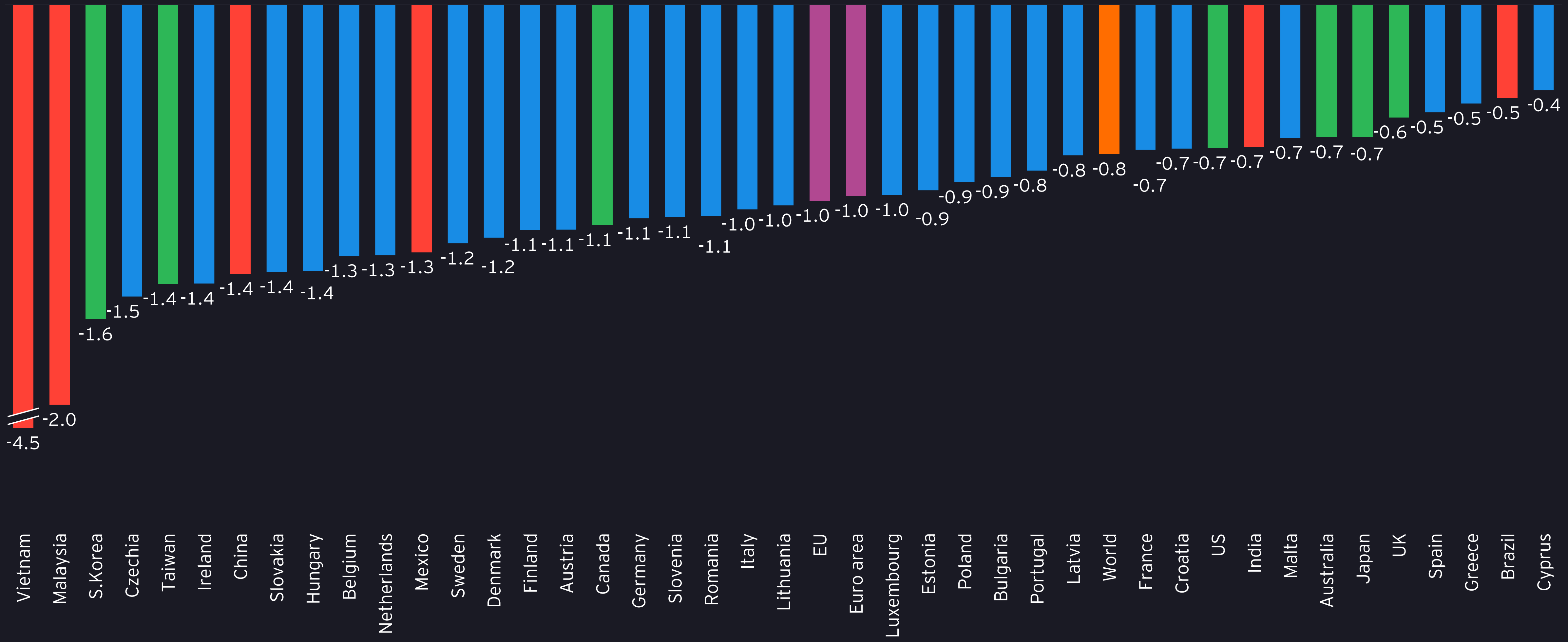
Y/y CPI inflation – deviation from the no-tariff scenario
(in percentage points)



Source: EY EAT calculations.

The effects of a trade war are expected to be felt most strongly by countries that are heavily reliant on exports to the US, such as Vietnam or Malaysia. A notable impact should also be observed in manufacturing-intensive European countries, China, and Mexico, while the effect on Southern European nations is anticipated to be limited

Peak tariff impact on GDP (in per cent)

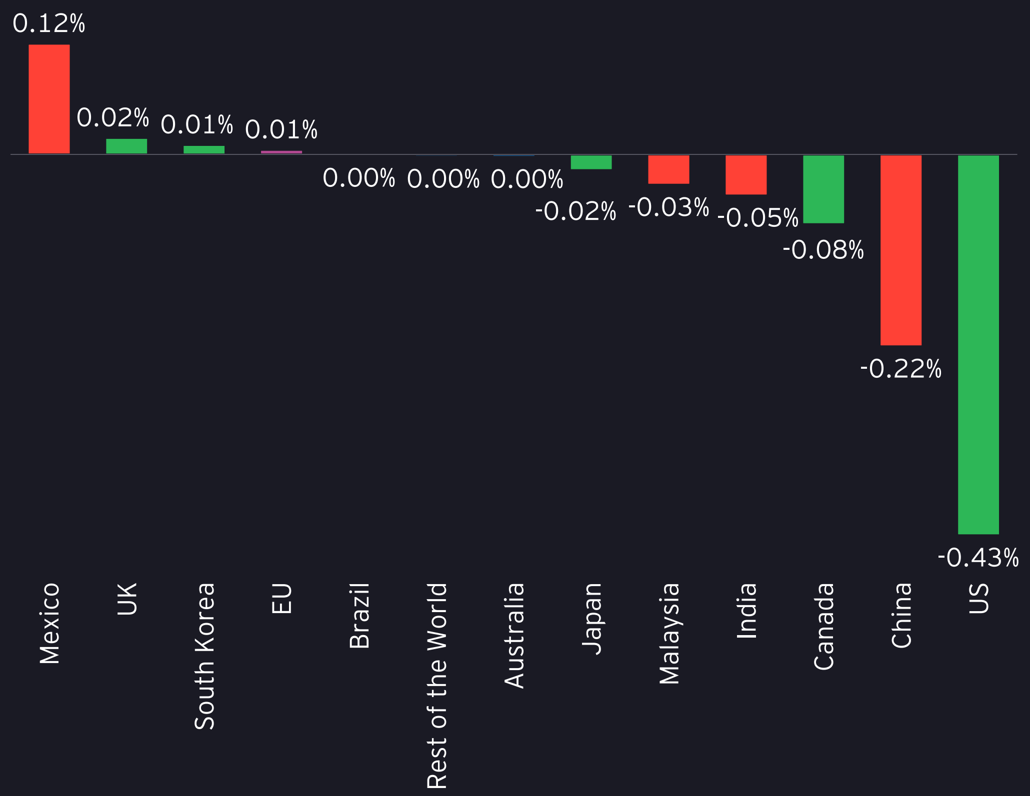


Source: EY EAT calculations

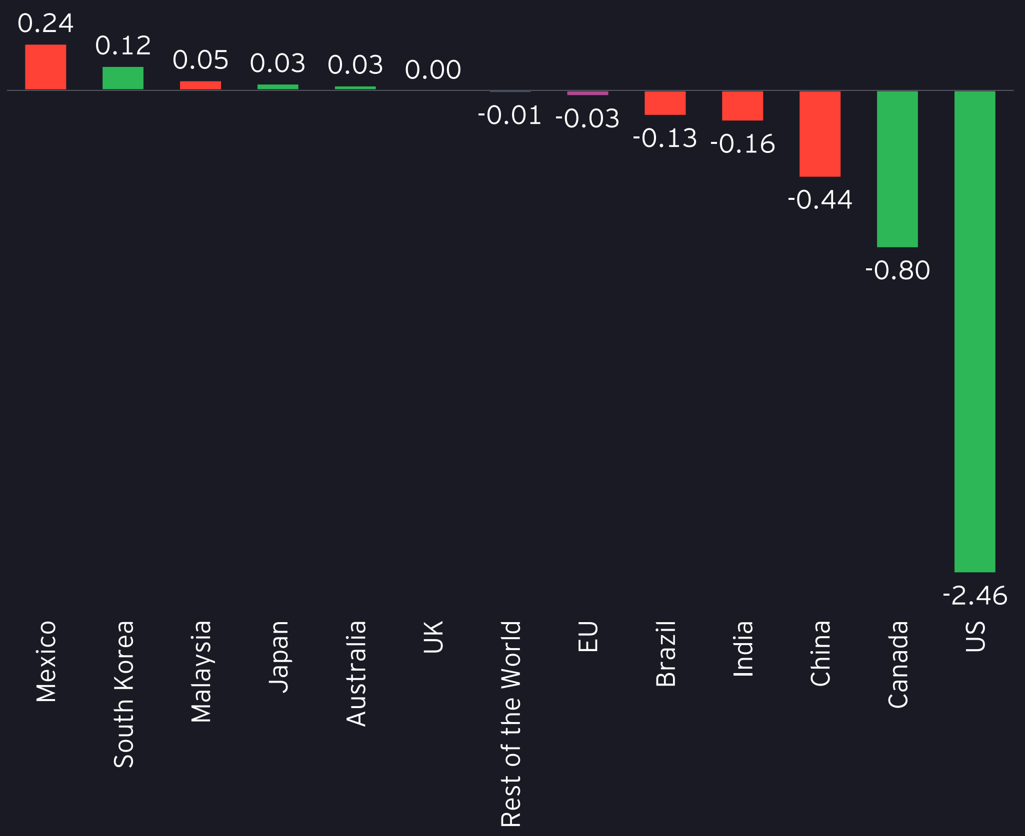
In the long term, the US and China will likely face the biggest negative impacts from tariff changes, while some countries may benefit as global supply chains adjust

- Countries most negatively affected by tariffs in terms of GDP are expected to experience a decline in trade openness.
- In addition to the US and China, Canada is also anticipated to face relatively adverse economic consequences due to tariffs.
- Conversely, Mexico is likely to benefit from the recent tariff adjustments in the long term.

Long-run impact of tariffs on real GDP of selected countries and the EU (percentage deviation vs. no tariff increase scenario)



Long-run change in the share of exports in GDP (percentage point change vs. no tariff increase scenario)



Source: EY EAT calculations using the EY UPGRADE model

Recent tariff changes are expected to significantly reshape global trade, with the largest trade flow declines occurring between the US and China, as well as between the US and India

- The implementation of new tariff rates is likely to reduce US imports from most countries, with the exceptions of the UK, Mexico, Australia, and Canada.
- The most severe trade disruptions are expected to occur between the US and China, as well as between the US and India, due to relatively higher tariffs.
- As a result, we anticipate that Chinese and Indian exports will be redirected to destinations other than the US.
- Many countries may attempt to reroute their exports to the US through Canada and Mexico, leading to a substantial increase in imports from various sources in these two markets.
- The latest tariffs are likely to prompt the EU to reduce its imports from the US, Mexico, and Canada, substituting them with goods and services from China, India, and Vietnam.

Long-run change in trade between countries and regions

(percentage deviation vs. no tariff increase scenario)

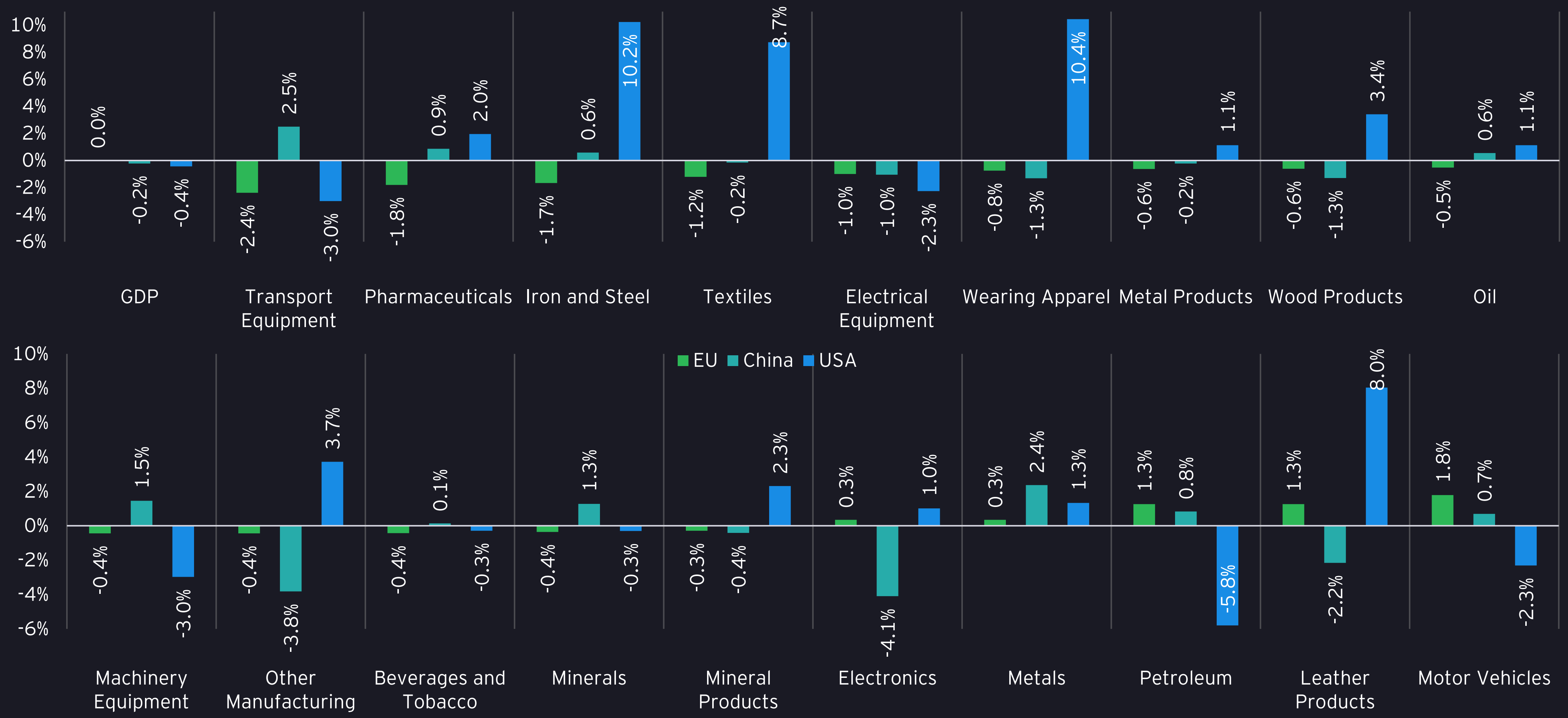
EXPORTS FROM \ IMPORTS TO	Australia	China	Japan	Korea	Taiwan	Malaysia	Vietnam	India	Canada	USA	Mexico	Brazil	UK	EU	ROW
Australia		-0.57	0.37	0.67	-0.42	-1.53	-2.68	-1.37	12.76	2.22	19.45	3.04	4.31	0.99	-0.10
China	10.46		9.73	10.50	11.70	9.00	7.45	6.17	41.83	-57.56	41.90	14.67	13.27	12.99	10.13
Japan	2.72	-0.36		1.04	1.27	-0.54	-2.55	-3.18	42.87	-6.36	23.12	4.65	4.23	2.60	1.13
Korea	3.15	-0.32	0.44		1.28	-0.71	-0.73	-2.82	45.70	-5.85	24.82	4.32	2.89	2.09	0.84
Taiwan	2.61	1.35	1.79	2.54		2.97	-1.60	-1.34	31.58	-14.27	26.85	5.45	4.31	3.42	2.05
Malaysia	1.14	0.48	0.56	1.60	2.01		-1.04	-2.54	29.52	-13.35	30.64	4.90	3.55	2.92	1.31
Vietnam	2.56	2.64	2.00	2.96	3.87	3.49		-0.26	25.47	-12.99	30.20	6.97	5.37	5.37	3.17
India	7.26	5.84	7.29	7.31	5.94	5.82	4.46		28.08	-36.18	28.19	11.00	8.96	8.66	7.50
Canada	-13.16	-13.54	-9.32	-8.74	-10.24	-15.79	-13.64	-10.79		1.19	-1.21	-11.29	-9.24	-11.47	-10.73
USA	-22.41	-46.91	-21.46	-24.11	-25.48	-28.38	-25.51	-24.67	-18.62		-13.07	-18.90	-19.83	-21.34	-23.01
Mexico	-20.70	-21.70	-18.78	-11.43	-19.70	-22.77	-22.16	-14.31	5.71	5.96		-18.65	-18.32	-17.18	-20.97
Brazil	-0.68	0.27	0.96	0.03	-0.08	-1.30	-3.87	-2.74	15.31	-4.27	18.27		1.94	-0.30	-1.38
UK	-0.72	-3.70	-0.54	-1.49	-1.35	-3.61	-5.03	-5.30	17.31	6.39	14.58	0.79		-1.10	-2.39
EU	0.44	-2.73	-0.23	-0.53	0.47	-2.48	-4.07	-3.99	23.46	-2.28	20.83	2.49	1.16		-0.90
ROW	2.16	0.46	1.47	1.85	1.31	0.33	-1.32	-0.26	16.34	-12.79	22.42	4.58	3.72	2.14	

Source: EY EAT calculations using the EY UPGRADE model. The results in the table include both trade in goods and services.
The results in the table include both trade in goods and services.

The EU motor vehicles industry is expected to benefit from recent tariff changes, whereas the transport equipment, pharmaceuticals, and iron and steel sectors are likely to face challenges

Long-run impact of US and retaliatory tariffs on GDP and real value added in the selected sectors[1]

(percentage deviation vs. no tariff increase scenario)



Source: EY EAT calculations using the EY UPGRADE model. The above chart only presents sectors with the most substantial long-term economic impact expected in the EU.

[1] We anticipate reshoring to occur in some US manufacturing industries. However, sectors with the highest impacts on real value added do not account for a significant share of US GDP.

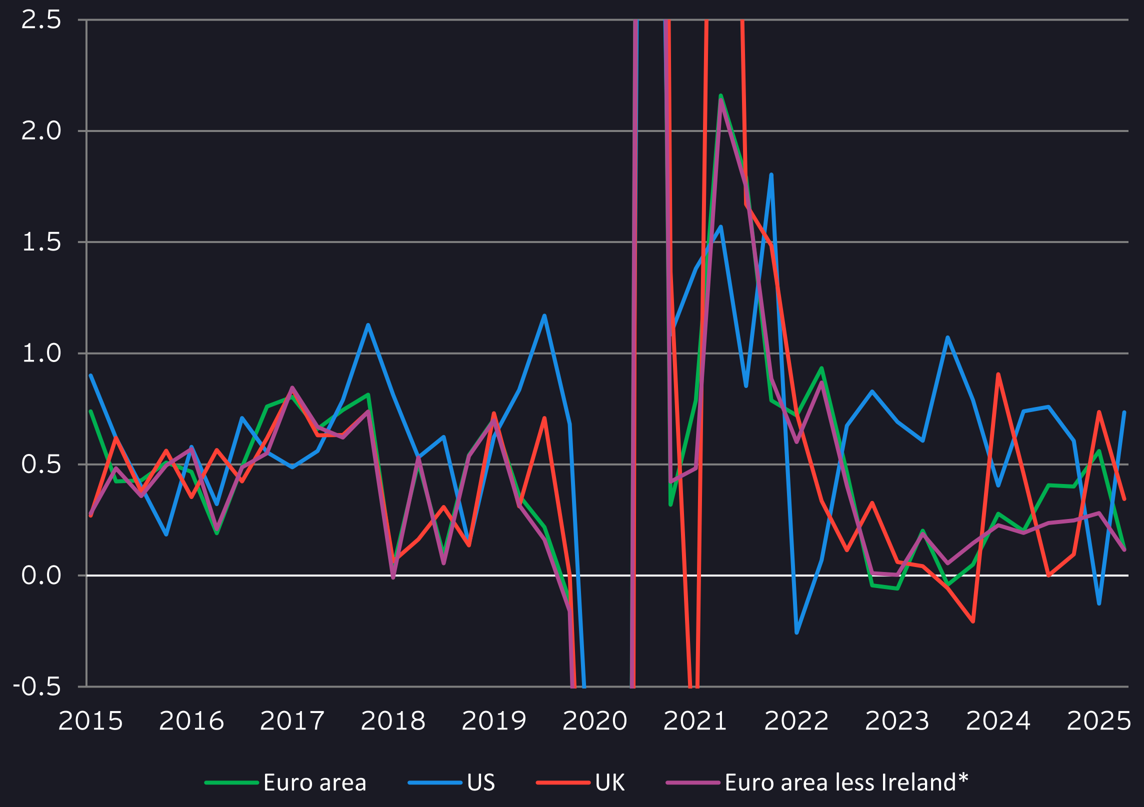
Chapter 2

Economic activity in recent quarters

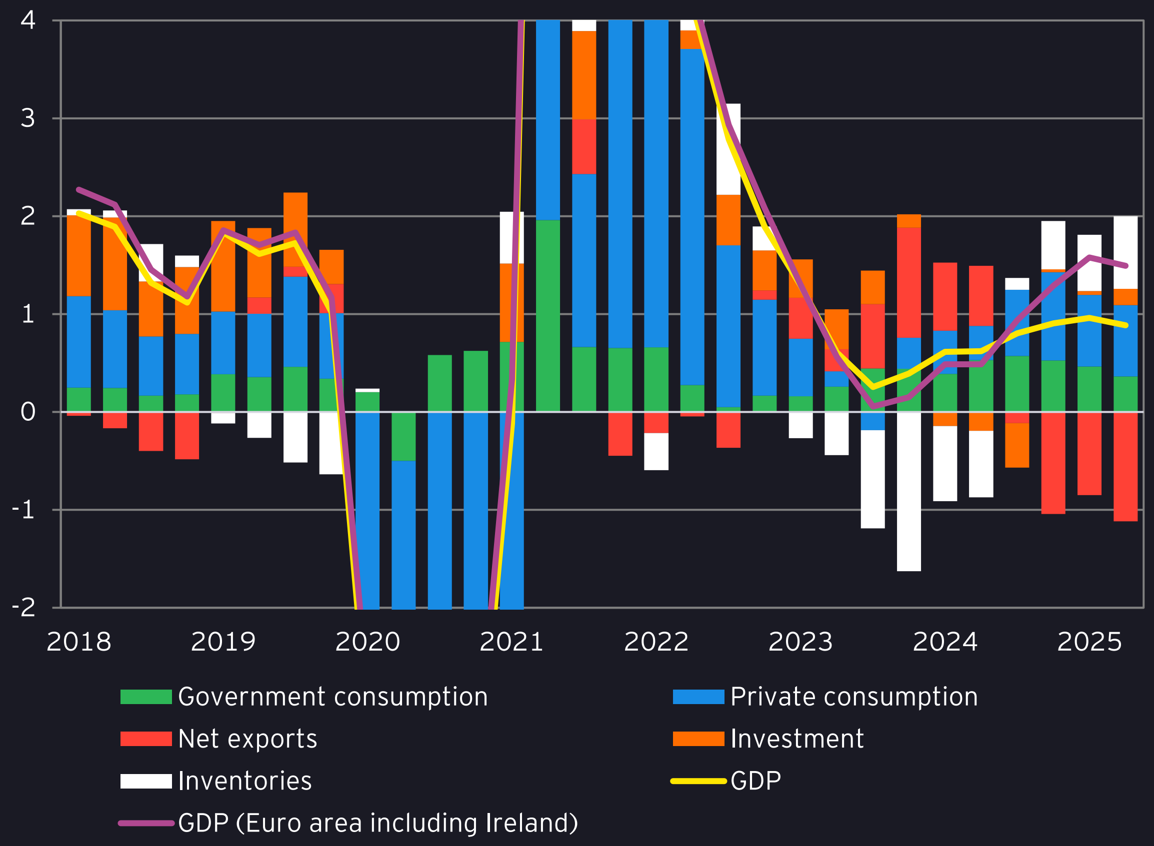
While quarterly growth rates in the euro area have been significantly impacted by tariff frontloading, the underlying pace of activity growth remains relatively muted

- Real GDP growth in the euro area surged to 0.6% q/q in Q1 2025, driven by a spike in exports ahead of expected US tariffs, particularly in Ireland. However, it slowed to 0.1% q/q in Q2 2025 as the effects of tariff frontloading partially reverted. Outside of Ireland, growth in the first half of 2025 averaged 0.2% q/q, similar to the growth rate in 2024.

Q/q real GDP growth (in percentage, seasonally adjusted)



Decomposition of y/y GDP growth in the euro area less Ireland* (in percentage)

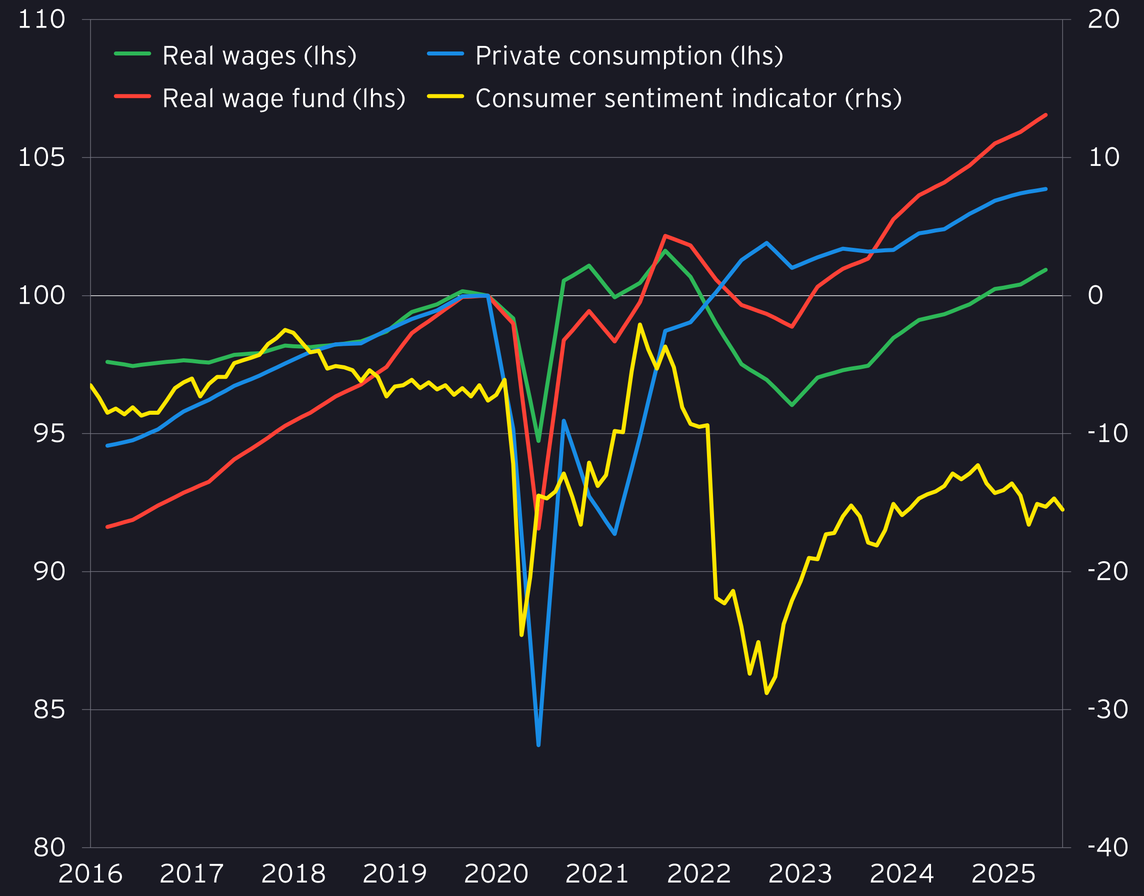


Source: Eurostat, Fred, ONS.
* Ireland is excluded as its GDP tends to be very volatile, reflecting the outsized role multinational corporations play in the economy.

Private consumption continued to grow, albeit at a somewhat slower pace than in 2024, as tariffs weighed on consumer sentiment. Household savings rates in Europe remain elevated and significantly above US levels

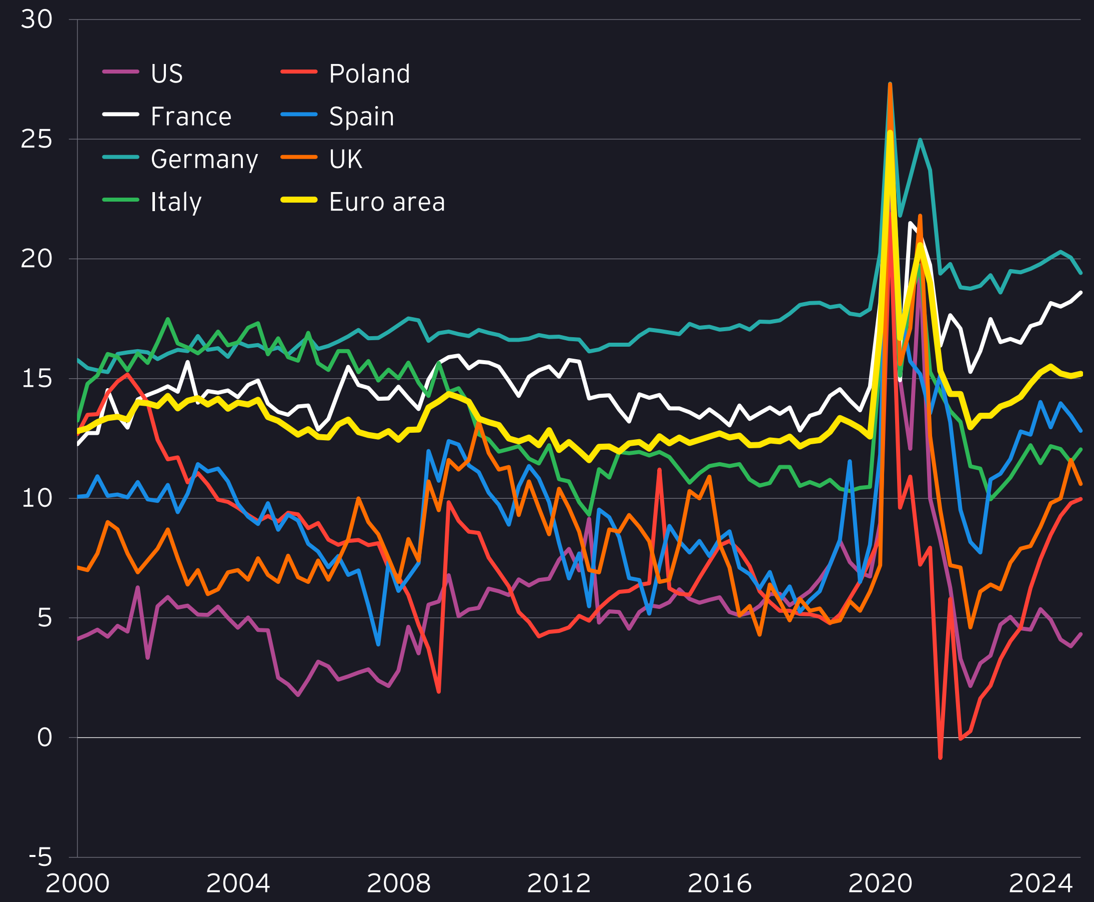
Real wages, real wage fund, consumer sentiment, and real private consumption in the euro area*

(2019 Q4 = 100)



Household saving rate

(In percentage)

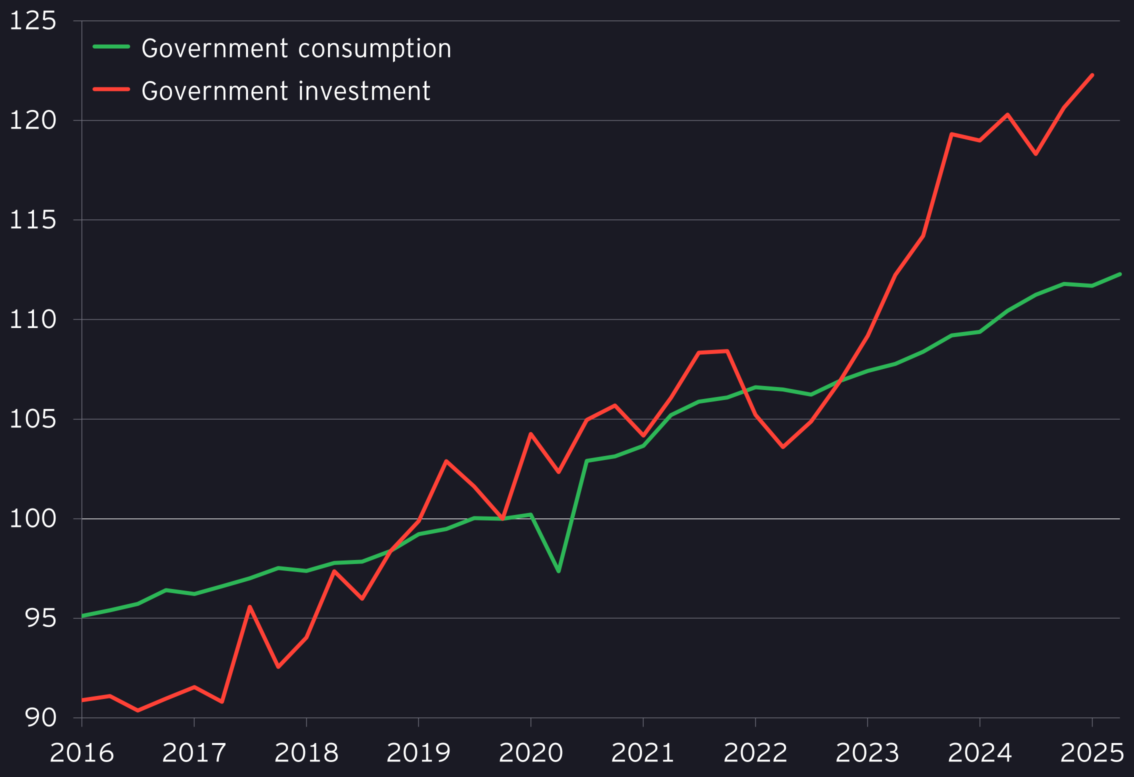


Source: Eurostat, Oxford Economics, FRED.

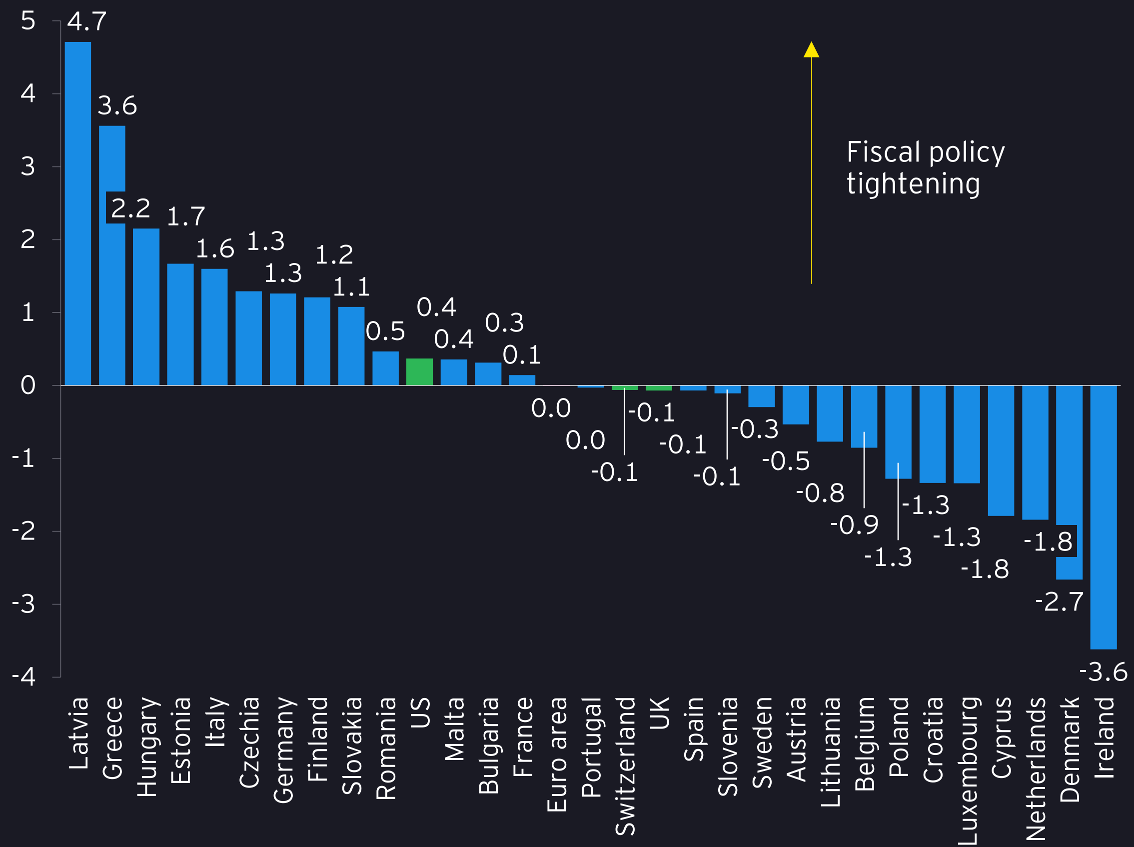
While government consumption and investment continue to support growth, albeit at a slower pace than in 2024, broader fiscal policy is neutral for economic activity

- Over the past three years, government investment has been growing faster than government consumption, driven by NextGenEU funding and rising military expenditure in some countries.
- Fiscal stances vary widely across the EU, with some governments leveraging favorable fiscal positions to fund additional spending (Ireland, Denmark, Netherlands) or continue increasing military and social spending despite high deficits (e.g., Poland). In contrast, others are reducing spending or increasing taxes in response to high deficits and financial market pressures (e.g., Hungary, Romania).
- A more positive fiscal impulse is expected in 2026, driven by fiscal expansion in Germany.

Government consumption and investment in the euro area (2019 Q4 = 100)



Change in structural balance* to GDP: 2025H1 vs. 2024H1 (in percentage points)

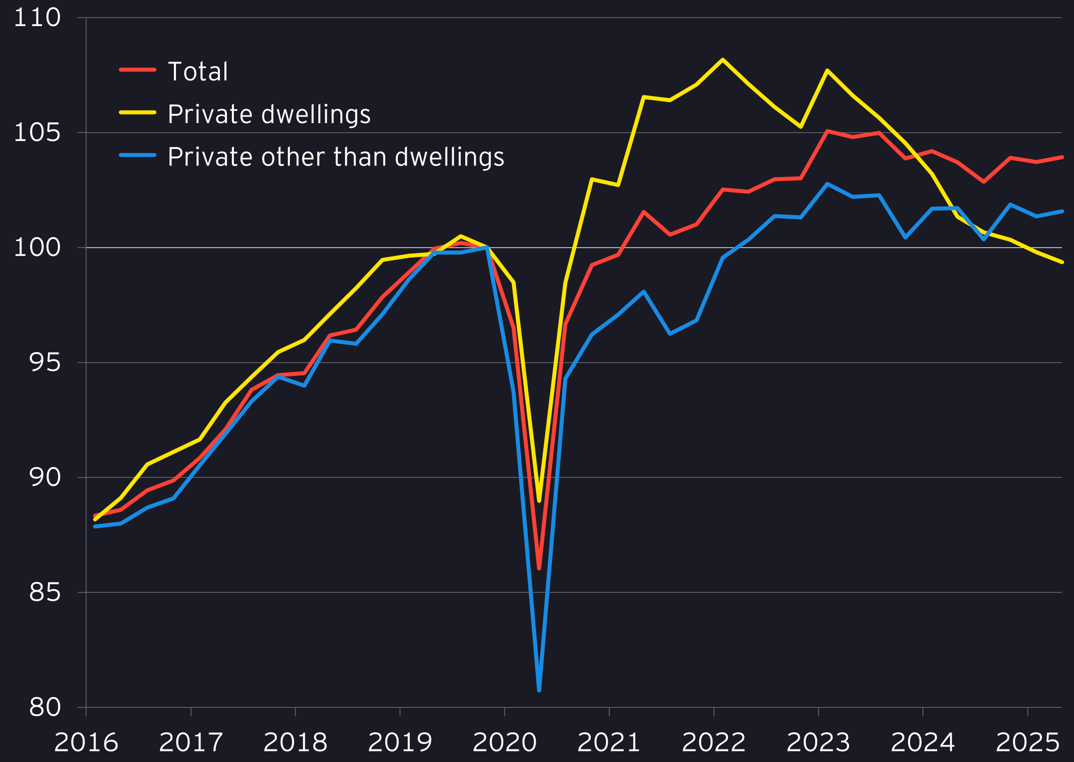


Source: Eurostat, Oxford Economics, FRED.
* Structural balance is general government balance corrected for cyclical and one-off factors.

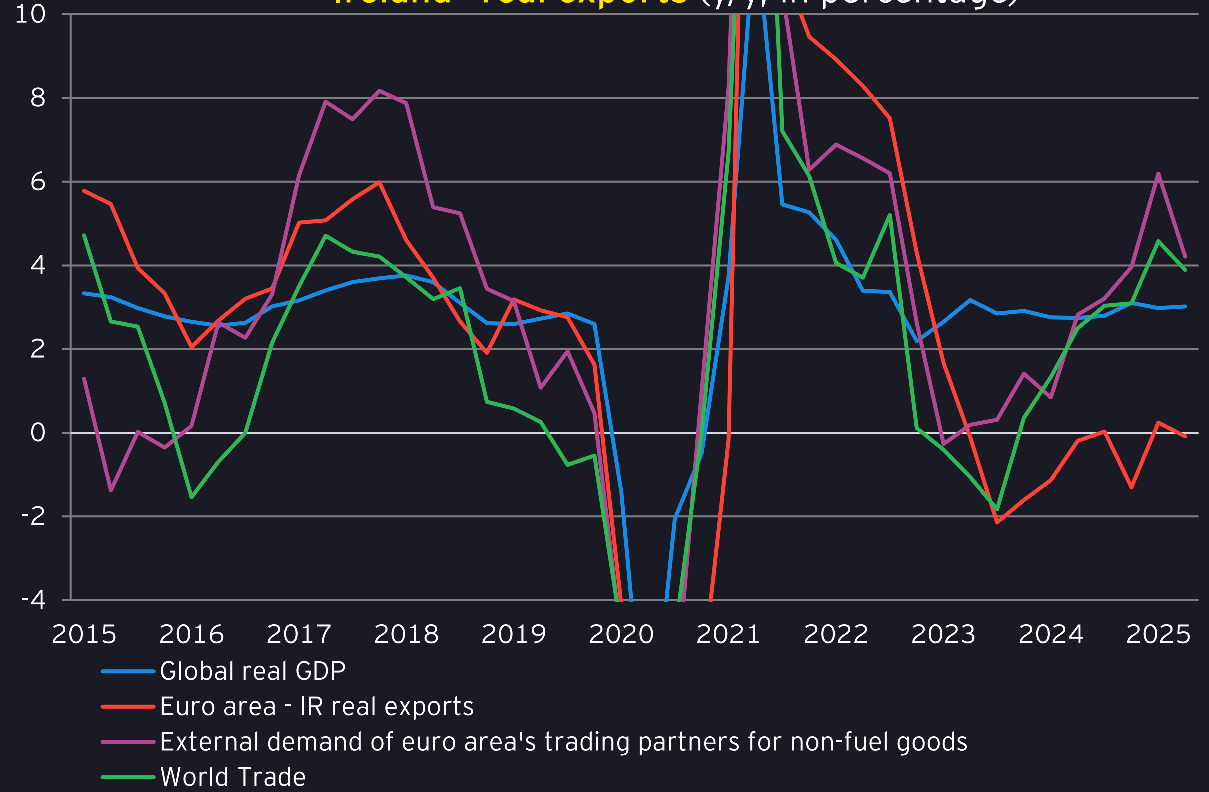
Investment and exports remain stagnant, hindered by tariffs and the appreciation of the euro, despite a decrease in interest rates and an increase in external demand

- Despite declining interest rates, housing investment continues to contract. Non-residential private investment is facing additional pressure from stagnant profits and reduced capacity utilization. Moreover, the negative sentiment induced by tariffs is expected to further constrain business spending in the short term.
- Export growth is lagging behind the pace of global trade growth, negatively affected by recent euro appreciation, resulting in a gradual erosion of market share for European producers.

Real fixed capital investment by type in the euro area less Ireland* (2019 Q4 = 100)



Global real GDP, world trade, external demand of euro area's trading partners for non-fuel goods vs. euro area less Ireland* real exports** (y/y, in percentage)

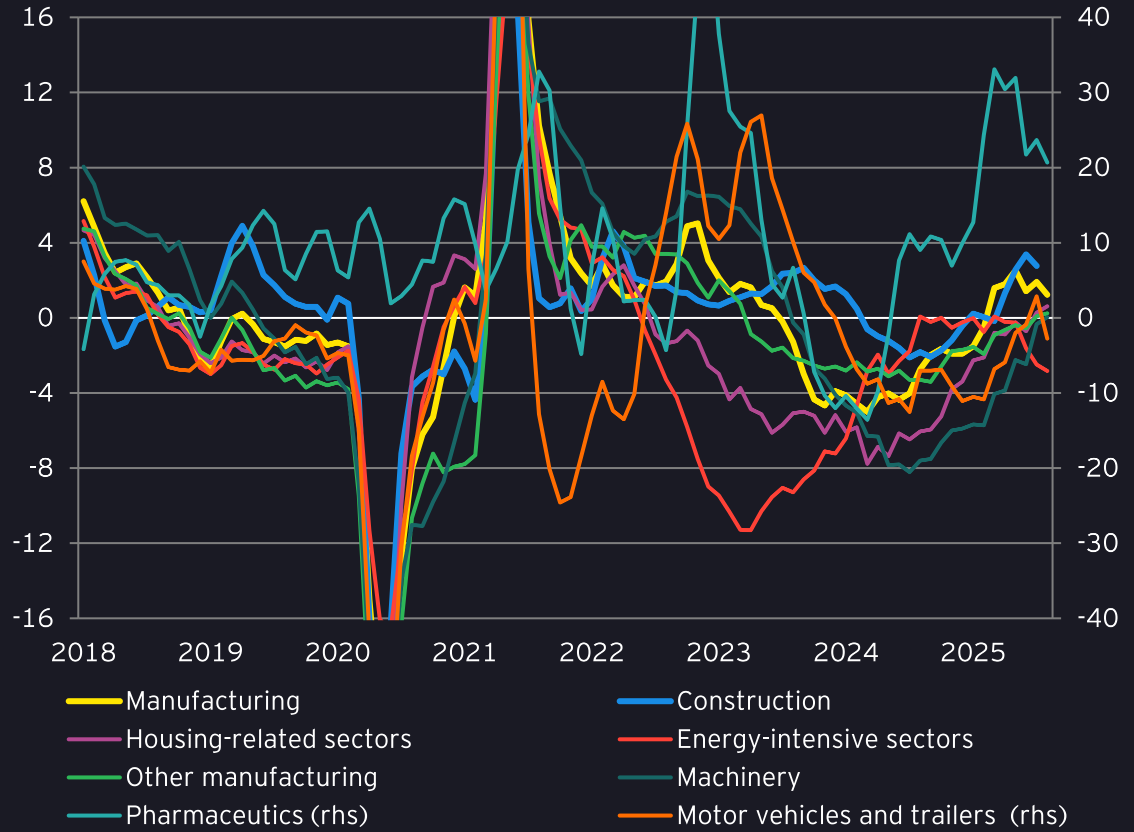


Source: : Eurostat, Oxford Economics, CPB.
* Investment and exports in Ireland are excluded since they are very volatile, influenced by the global activities of multinational corporations, and do not appropriately reflect the underlying investment and exports in the domestic economy.
** External demand of euro area's trading partners for non-fuel goods is equal to real imports of trading partners, weighted by shares of those trading partners in the euro area exports.

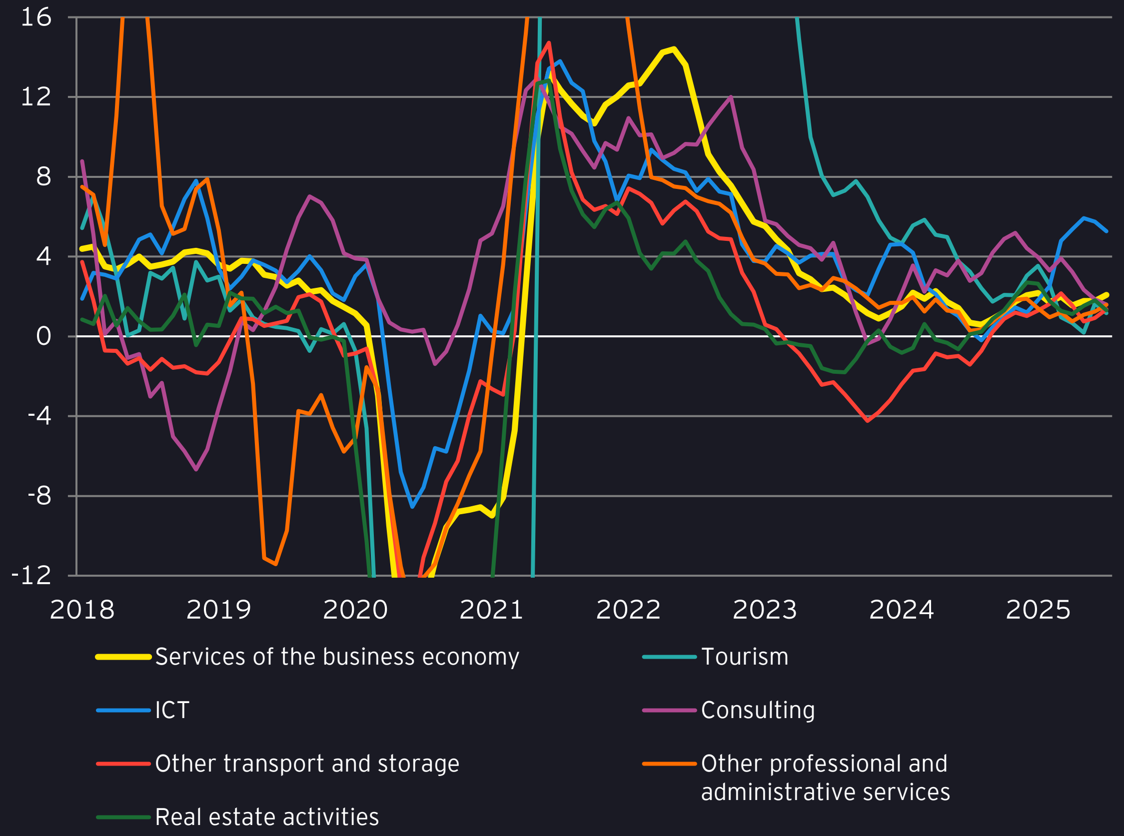
Manufacturing growth has picked up and is no longer lagging behind services. Within services, ICT is leading the expansion, while pharmaceuticals stand out in manufacturing

- Manufacturing production picked up, aided by tariff frontloading. Energy-intensive sectors remain a weak spot despite the downtrend in energy prices, while the pharmaceutical sector continues to be a standout performer.
- Growth in construction has also accelerated, driven by monetary policy easing and government investment.
- Services continue to grow at a modest to moderate pace. ICT has emerged as a key driver of growth in 2025, while growth in consulting has slowed down.

Manufacturing production in the euro area
(3-mth moving average, y/y, seasonally adjusted)



Services activity in the euro area
(3-mth moving average, y/y, seasonally adjusted)

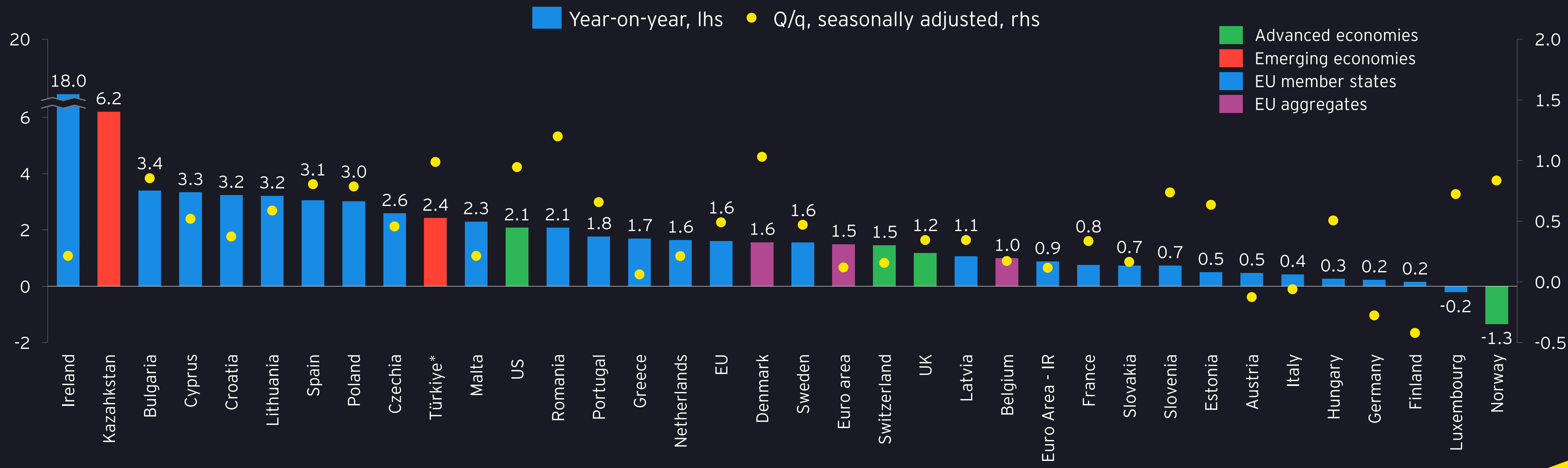


Source: Eurostat.
Notes: Energy-intensive sectors: paper, chemicals, basic metals and non-metallic mineral products. Housing-related sectors: wood, furniture and electric equipment. Other manufacturing is an arithmetic average of the remaining manufacturing NACE divisions. Services of the business economy except for trade and financial activities. Tourism includes accommodation and food service activities, air transport, travel agencies and related activities.

Growth disparities persist, with Poland and Spain leading among large economies, while Germany continues to lag behind

- Ireland exhibited the strongest GDP growth in recent quarters, driven by tariff frontloading and the activities of multinational corporations.
- Aside from Ireland, several CEE countries (Bulgaria, Croatia, Poland) are leading the pack with 3%+ GDP growth, supported by strong real income growth, expansionary fiscal policy, and NextGenEU spending.
- Most Southern European countries, particularly Spain, continue to show faster growth compared to the rest of the EU, benefiting from a booming tourism sector, NextGenEU spending, robust immigration, and relatively low energy costs.
- Conversely, Germany remains in stagnation, along with Austria, Hungary, and Finland. The manufacturing sector in these countries is struggling, with exports and investment contracting as a consequence. In Hungary, growth is further hindered by fiscal tightening and limited access to EU funding.
- Norway has experienced a contraction in recent quarters due to a decline in the oil and gas sector, although the non-oil economy has been gradually gaining momentum.

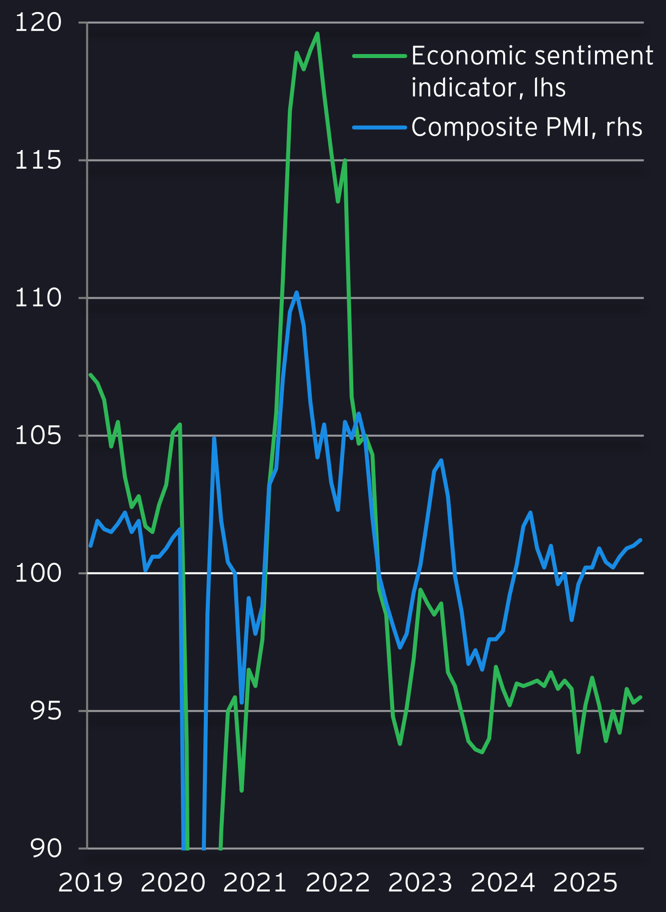
Real GDP growth in 2025 Q2** (y/y)



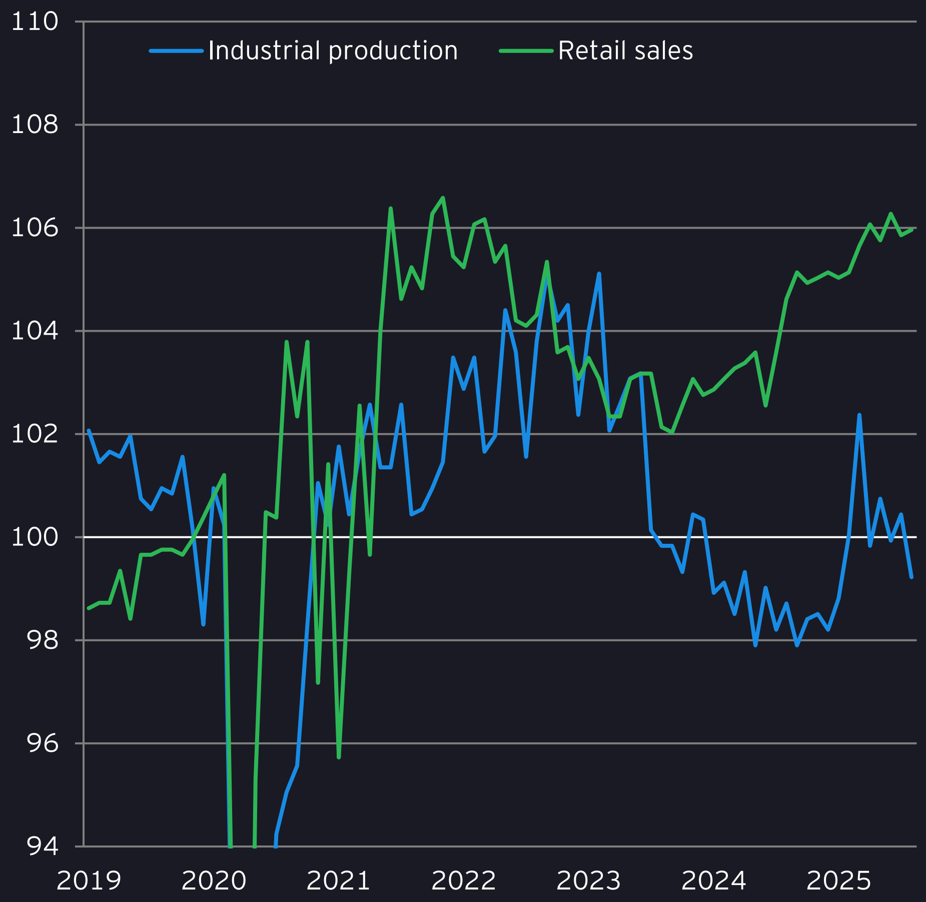
Source: Eurostat, Oxford Economics, Trading Economics.
Notes: * GDP growth as of Q1 2025 ** In Ireland, GDP is heavily distorted by activities of multinational corporations, while in Denmark, it is boosted by an expansion of a major pharmaceutical company.

While business surveys indicate continued modest expansion, a significant decline in industrial production in August, coinciding with the implementation of tariffs, points to downside risks for growth in Q3

Business sentiment indicators for the euro area



Retail sale and industrial production in the euro area (2019Q4=100)

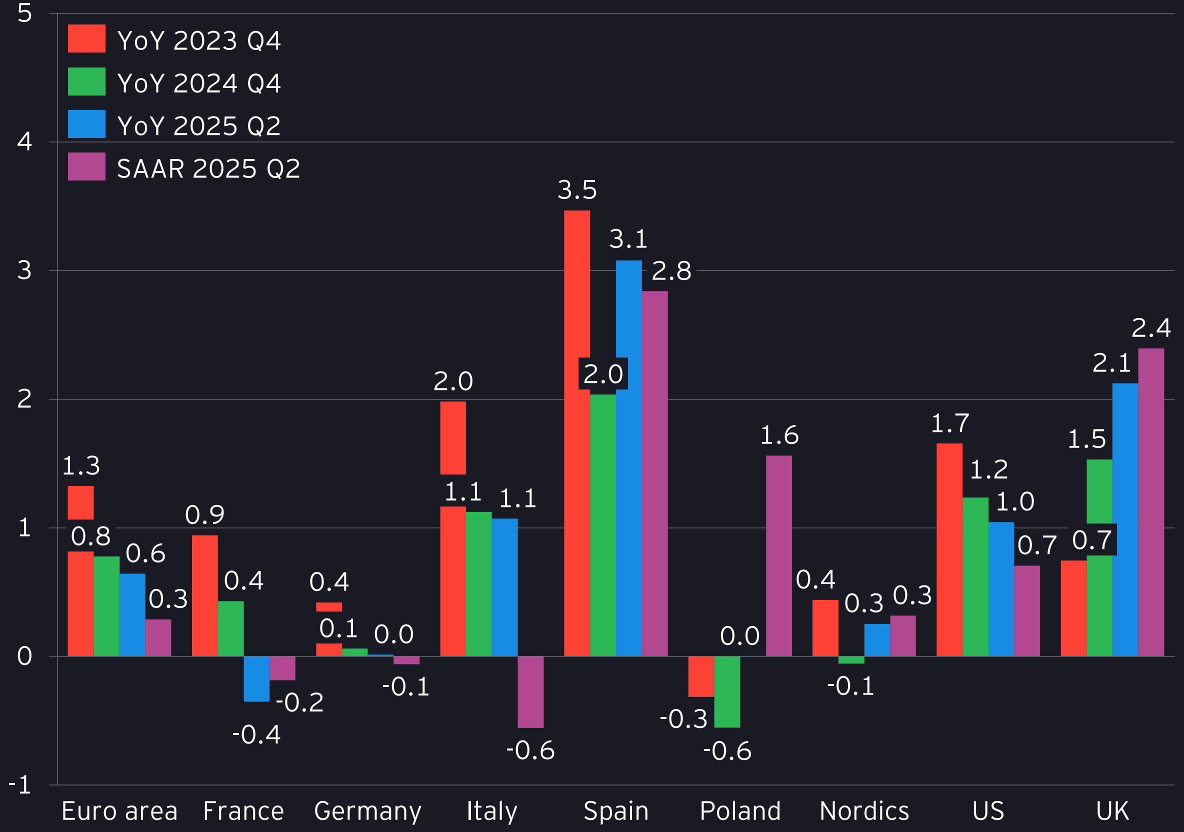


Source: Eurostat; Trading Economics, Refinitiv

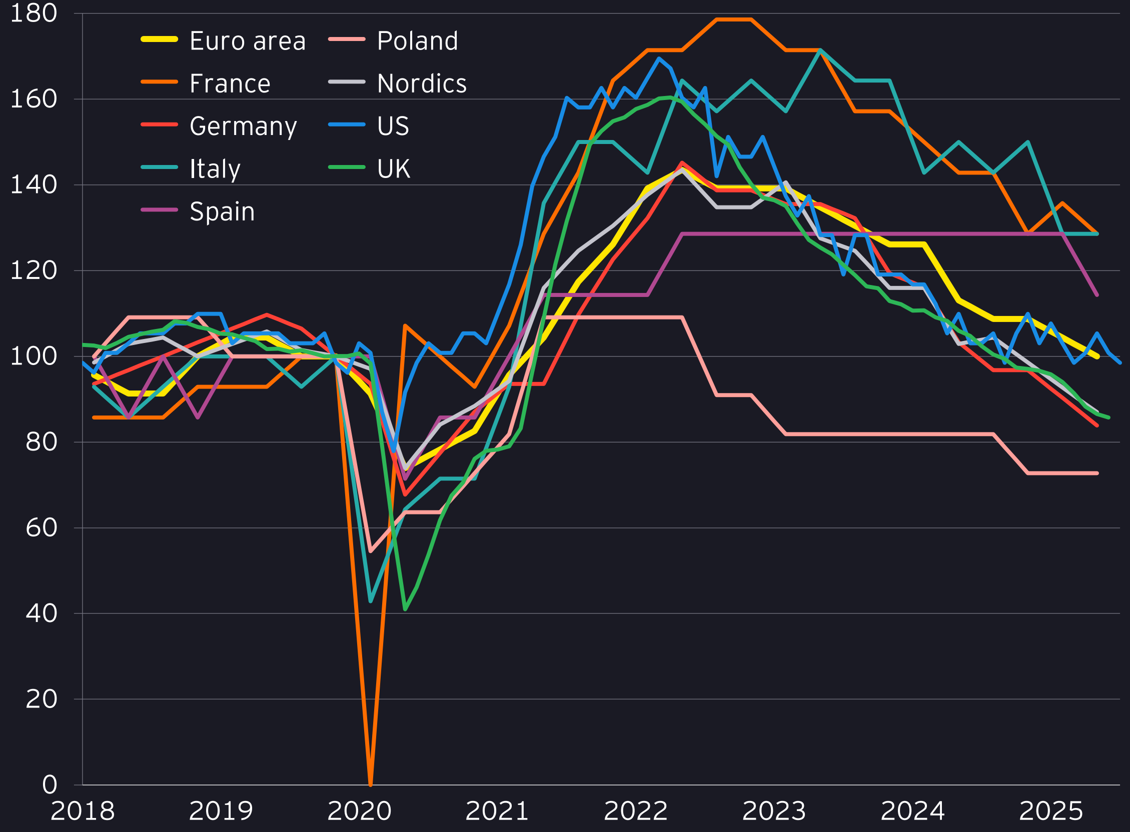
Employment growth in the euro area continued to decelerate in Q2 2025, and a further decline in the vacancy rate indicates a sustained cooling in labor market demand

- Many major European economies are experiencing stagnant or even declining employment, with Spain and the UK standing out as positive outliers.
- Available indicators for Q3 (employment expectations, job postings) point to a continued cooling of the labor market, characterized by slowing employment growth and declining vacancies.

Employment growth
(in percentage)



Vacancy rate
(Index, 2019 Q4 =100)

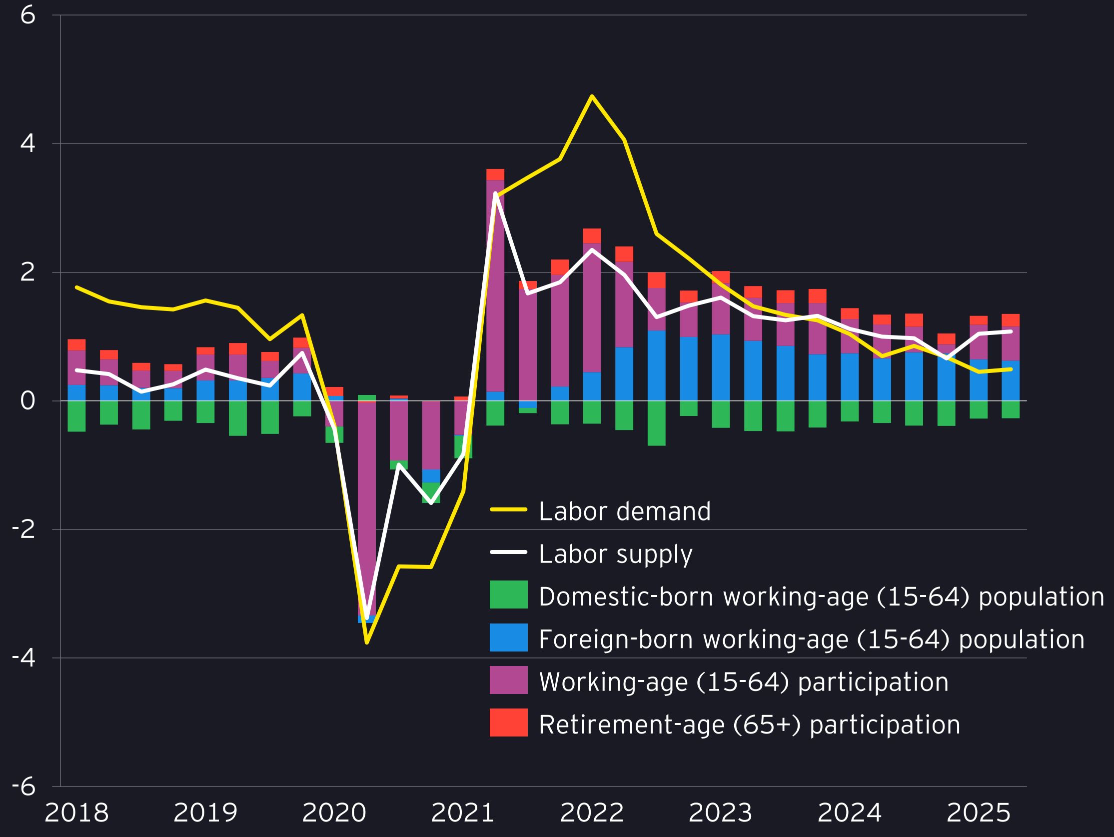


Source: Eurostat, FRED, ONS.
Notes: SAAR = Seasonally Adjusted Annual Rate of growth. Nordics = Denmark, Finland, Sweden and Norway.

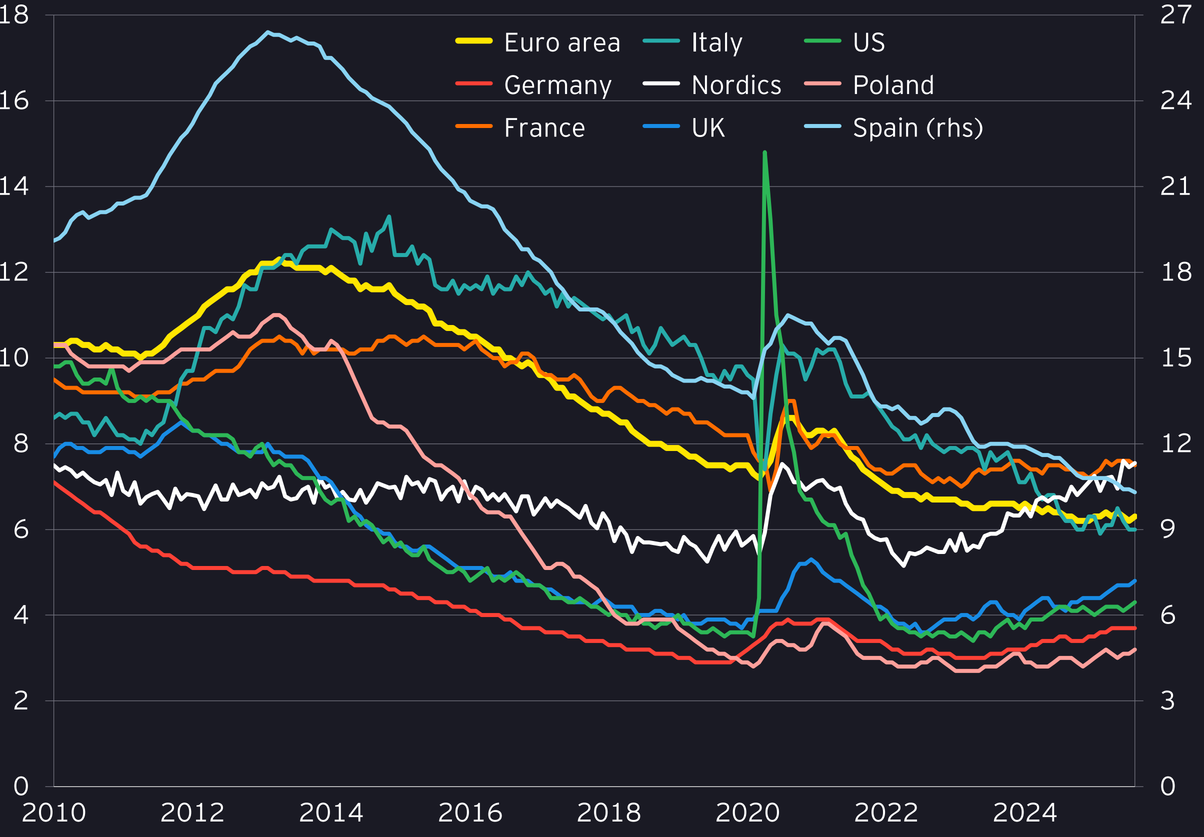
Labor supply growth accelerated slightly in the first half of 2025, driven by an uptick in labor force participation that outpaced labor demand. Nevertheless, with the vacancy rate continuing to fall, unemployment rate has remained relatively steady near historical lows

- The unemployment rate continues to decline in Spain, while it is ticking up in Germany, the UK, and the Nordics.

Labor supply and demand change in the euro area (% y/y, in percentage)



Unemployment rate (in percentage)

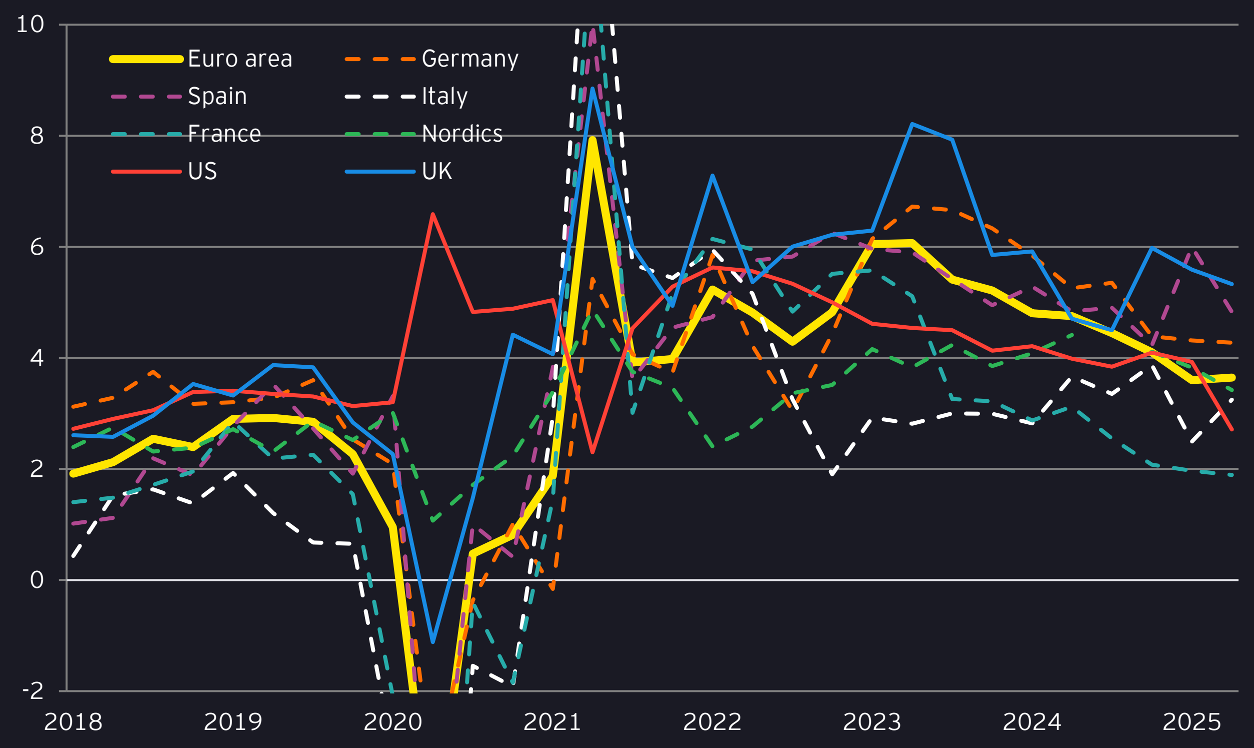


Source: Eurostat, BLS, FRED, ONS.
Notes: Labor demand is a sum of supply employment and vacancies.

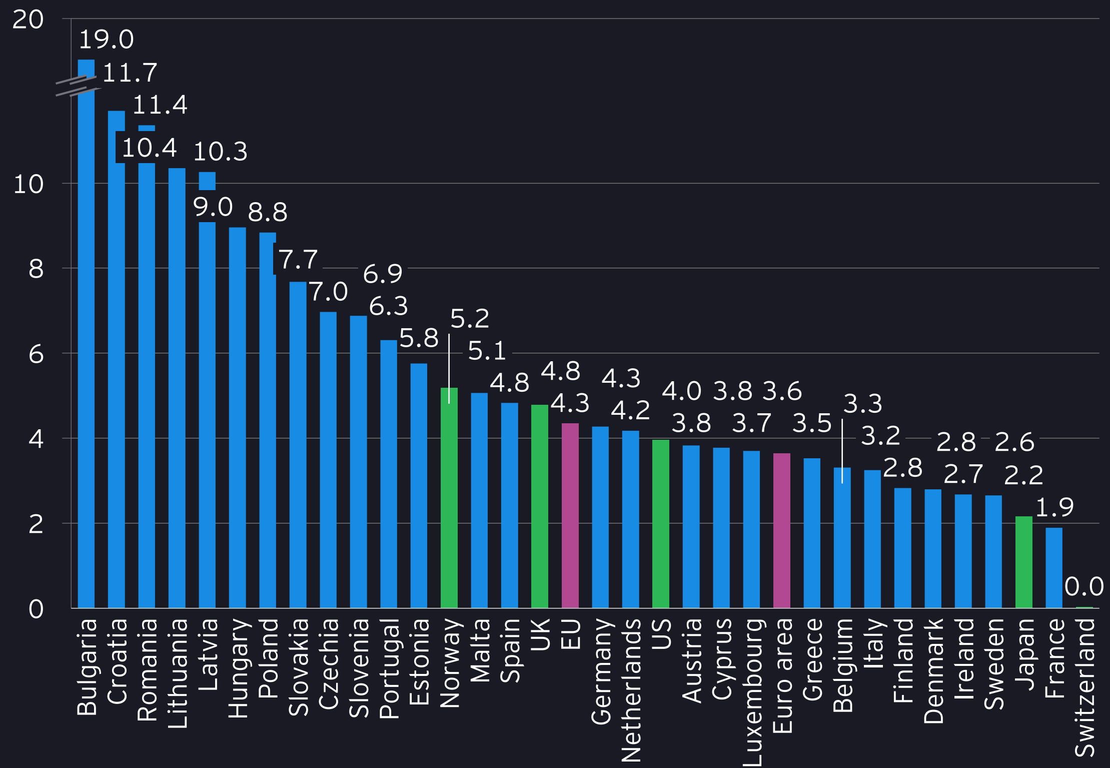
Nominal wage growth has gradually slowed; however, it continues to exceed the rates consistent with the 2% inflation target

- The primary catalyst for the deceleration in wage growth is reduced inflation, while tight labor market conditions—albeit with some softening—are keeping wage levels elevated.
- Significant disparities in wage growth persist among countries, with inflation and public sector wage growth acting as key drivers behind these differences. CEE economies exhibit significantly higher wage growth compared to their counterparts in Western and Southern Europe. Within (broadly defined) Western Europe, disparities are narrowing, with most economies moving toward sustainable dynamics.

Nominal wage growth (y/y, in percentage)



Nominal wage growth in 2025 Q2 (y/y, in percentage)

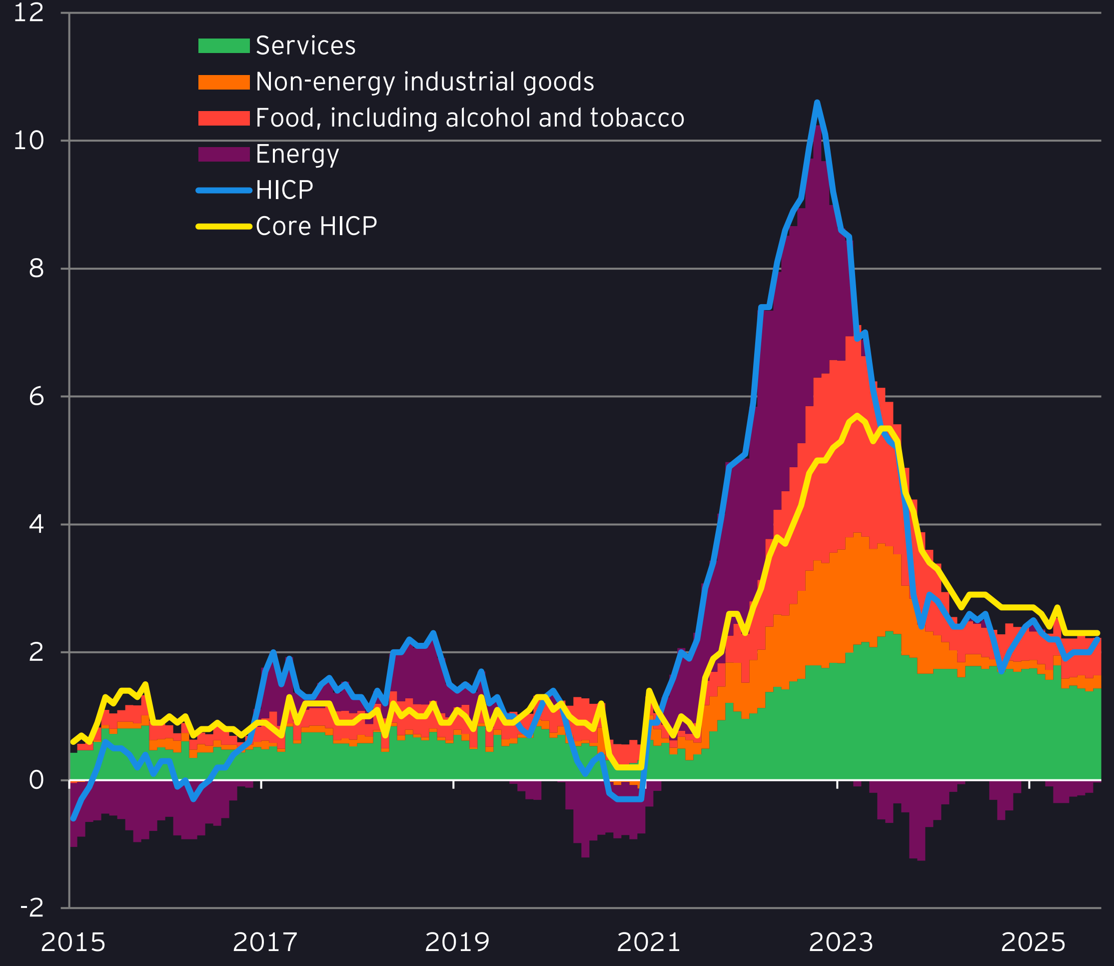


Source: Eurostat, ONS, FRED, Oxford Economics

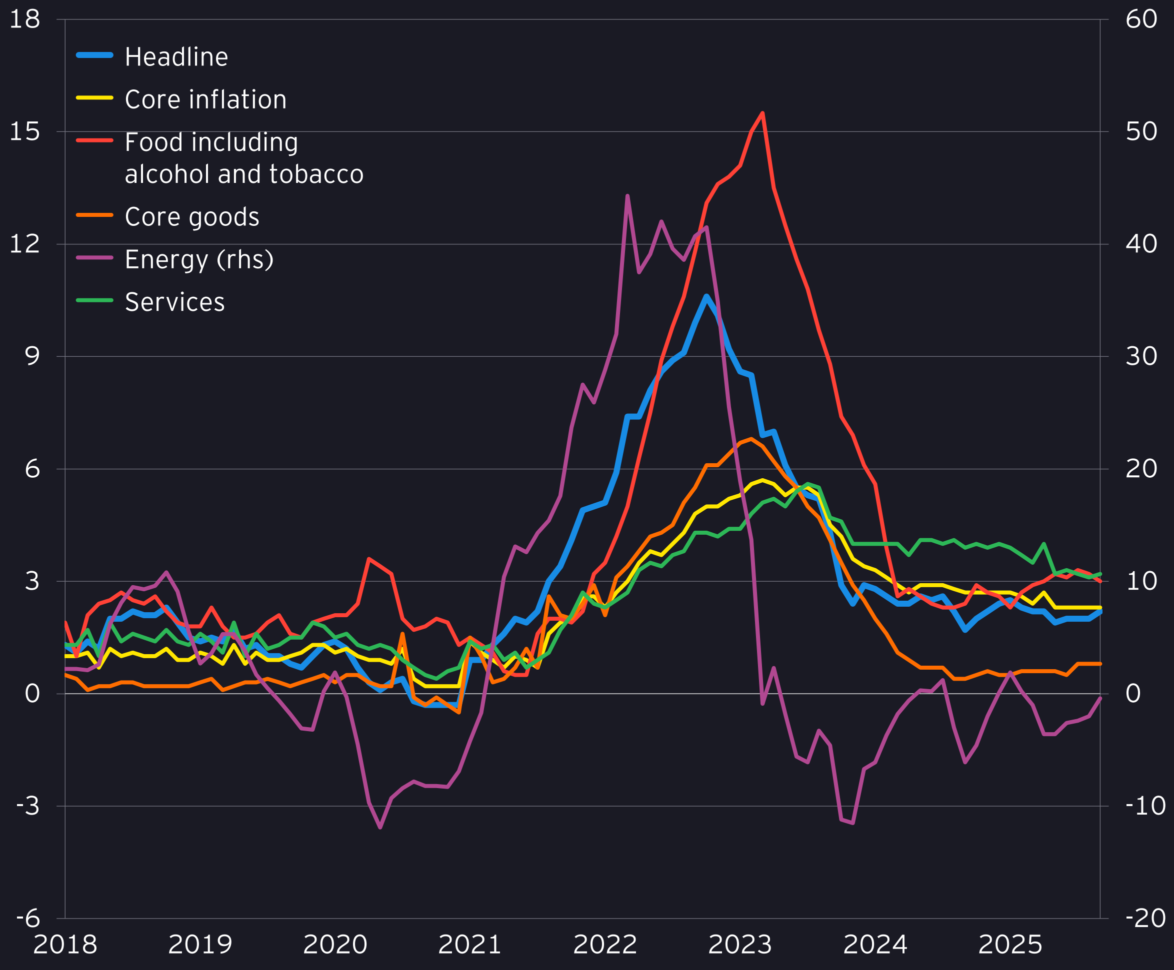
For the euro area countries, wages and salaries per employed person; for the UK, average weekly earnings in the whole economy, total pay; for the US average hourly earnings of All Employees, Total Private. Nordics as Norway, Sweden, Finland, and Denmark arithmetic average.

In the euro area, headline inflation is essentially at target, fluctuating around 2% due to swings in oil prices

Statistical decomposition of y/y HICP inflation in the euro area (in percentage)



HICP inflation in the euro area (y/y, in percentage)

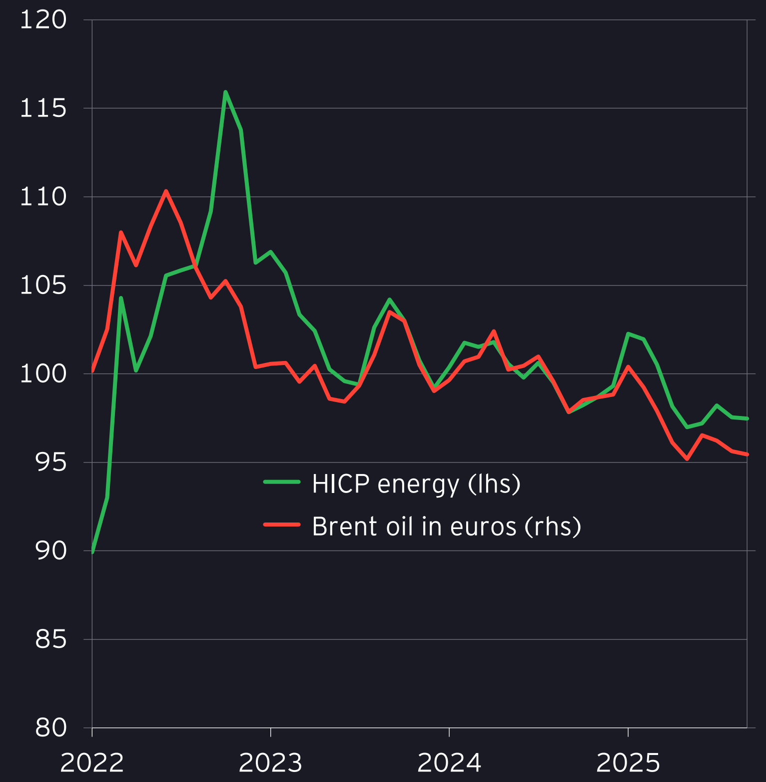


Source: Eurostat.

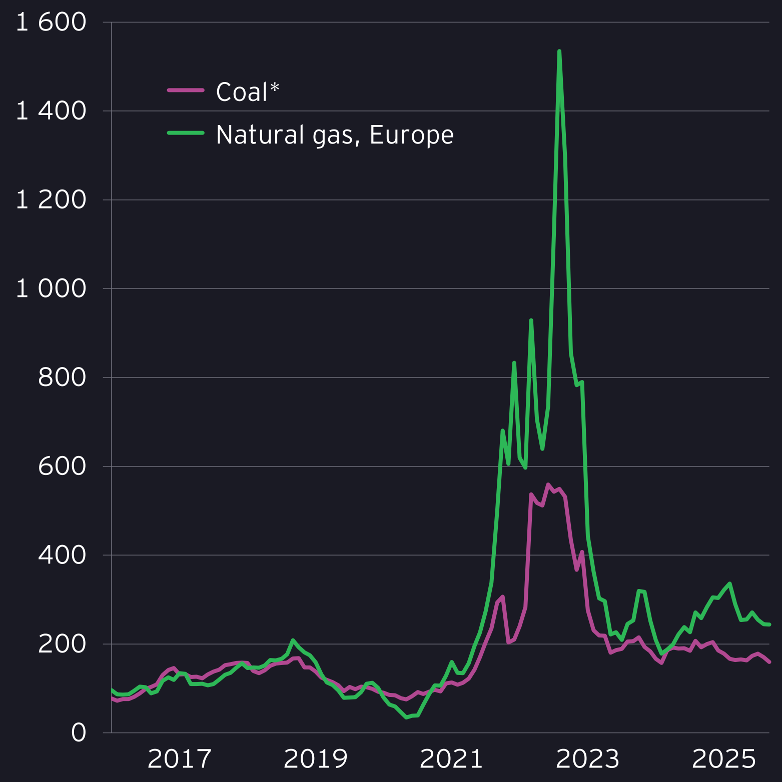
Declines in commodity prices, coupled with euro appreciation, support disinflation in energy products. However, food inflation is accelerating despite disinflationary trends in global markets

- Oil prices remain subdued, exerting disinflationary pressure on energy prices. Exceptions include Romania (15.5%) and Austria (10.1%), which have seen increases following the removal of administrative price caps, as well as Norway (16.8%) and Sweden (10.7%), where adverse weather conditions drove up hydro and renewable energy prices.
- Food and non-alcoholic beverages inflation accelerated to 3.0%, despite falling global commodity prices in most categories. Adverse weather conditions have also driven up coffee and cocoa prices, resulting in double-digit inflation for chocolate, coffee, and cocoa products in the euro area. Domestic food inflation pressures remain high due to rising prices of meat, fruits, eggs, and dairy products.
- Inflation in the tobacco, alcohol, and narcotics category continues to slow, following earlier increases largely driven by excise taxes on tobacco.

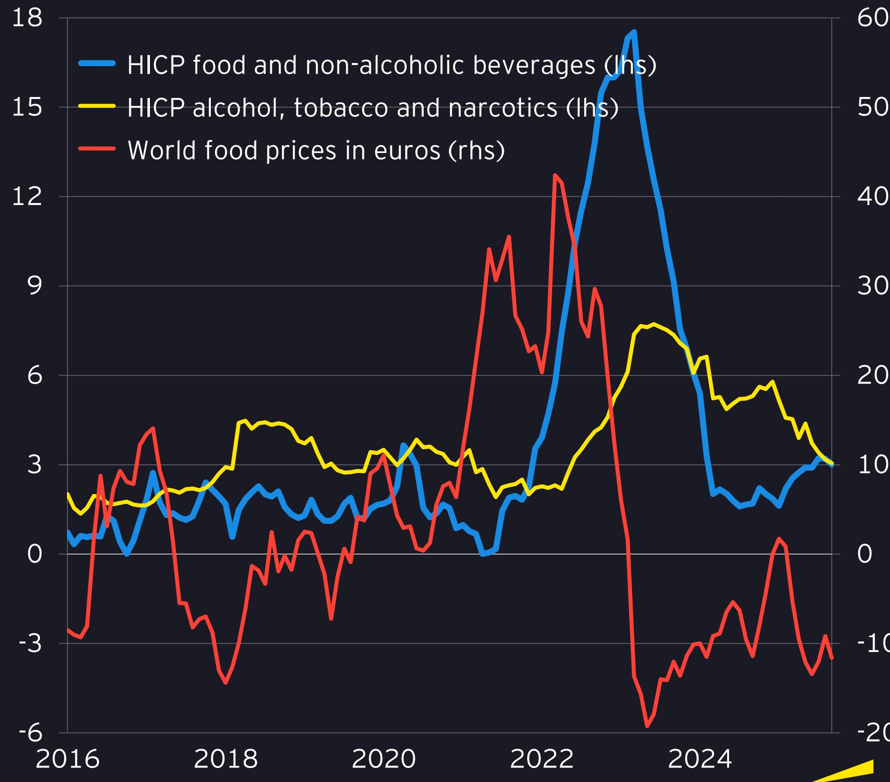
HICP energy in the euro area vs. oil prices (index, 2024 = 100)



Natural gas and coal prices (index, 2016 = 100)



HICP food measures in the euro area vs. world food prices (y/y)

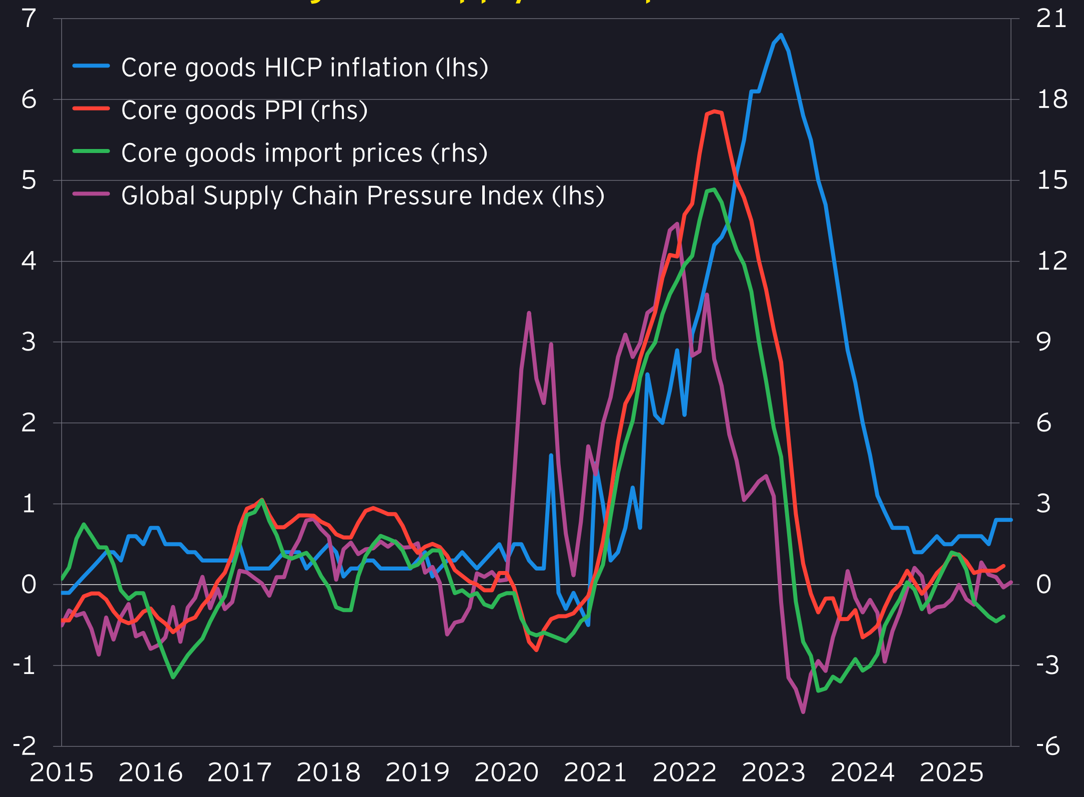


Source: World Bank Commodity Prices; BIS; Eurostat; stooq.pl.
* ICE Rotterdam coal price.

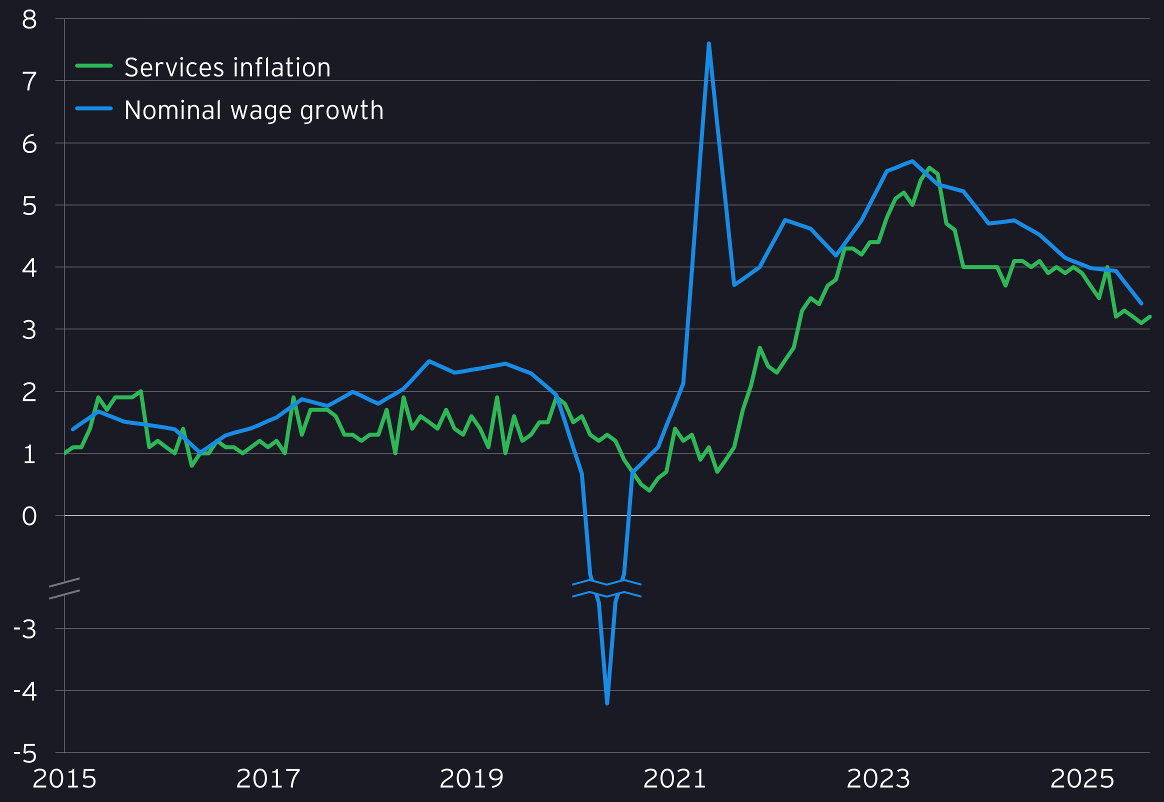
Core goods inflation has increased slightly to 0.8% in the euro area, while services inflation has gradually eased in line with nominal wage growth deceleration

- Global supply chain pressures and price pressures in global manufacturing remain muted. In this context, core goods inflation in the euro area has stabilized at a low level.
- Following an Easter-related uptick in package holiday and air transport prices, which caused services inflation to rise to 4%, it has now decreased to 3.2%. Despite the overall decline, wage growth remains somewhat elevated, continuing to exert pressure within the services sector.

Y/y core goods inflation in the euro area vs. y/y core goods PPI and import prices in the euro area (in percentage) **and global supply chain pressures**



Y/y services inflation vs. y/y nominal wage growth in the euro area (in percentage)

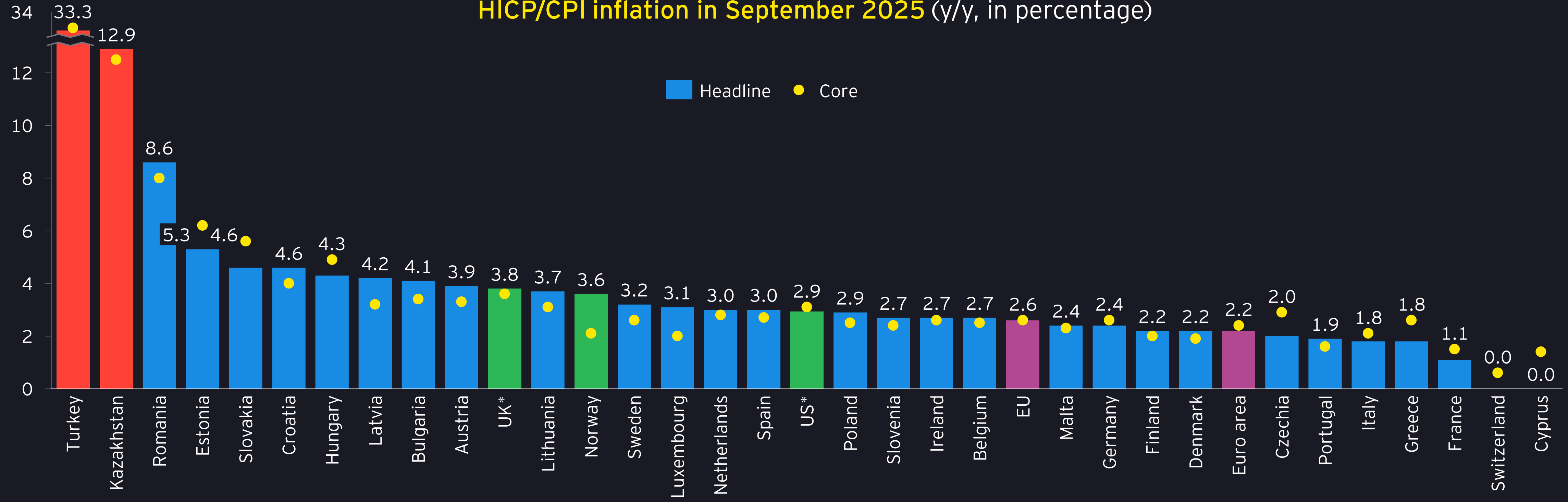


Source: Eurostat, Oxford Economics, Federal Reserve Bank of New York.

Inflation rates across Europe continue to diverge, influenced by disparities in wage growth and regulatory pricing

- Romania continues to stand out with the highest rate of inflation above 8%, driven by significant indirect tax hikes. Several other Central and Eastern European countries (Slovakia, Croatia, Hungary, Bulgaria, the Baltics) follow with inflation close to 4%, as strong wage growth and local supply shocks continue to push up core and food prices.
- The UK presents a curious case, where hikes in utility bills, minimum wage, and social security contributions, alongside still-elevated wage growth, pushed inflation back up to 3.8% in August.
- On the opposite end of the spectrum, Switzerland continues to flirt with deflation, while in France, inflation is running close to 1% due to subdued wage growth and a significant decline in energy prices.
- Outside the EU, disinflation progress has slowed in Turkey in recent months amid further depreciation of the Lira. Inflation has been rising in Kazakhstan, driven by currency depreciation, VAT hikes, food prices, and increases in regulated energy prices.

HICP/CPI inflation in September 2025 (y/y, in percentage)

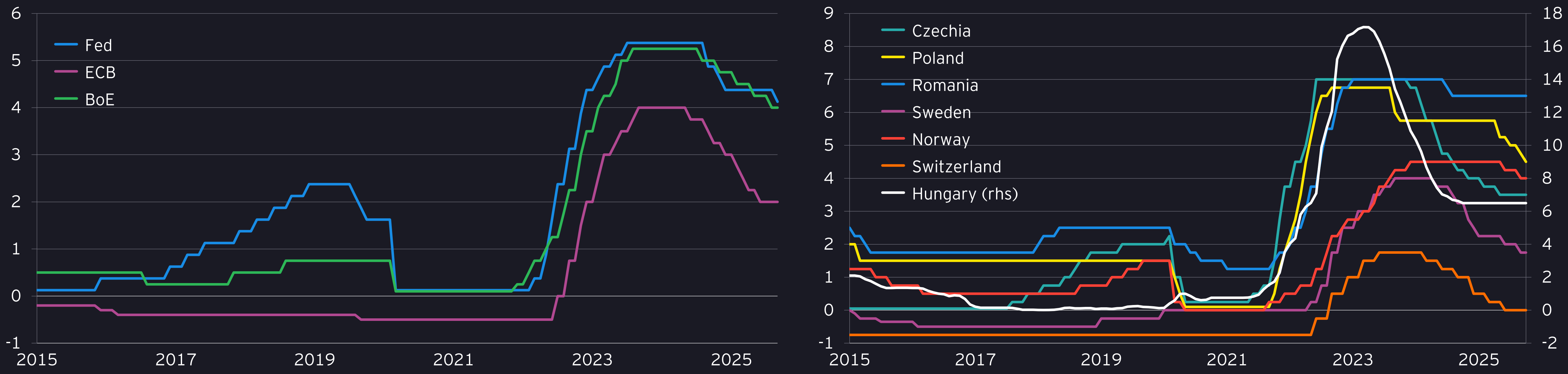


Source: Eurostat, FRED, ONS, Trading Economics, national statistical bureaus.
Note: HICP inflation for EEA countries and CPI inflation for the remainder.
*Data as of August 2025

Most central banks remain in easing mode, but the pace and timing of their actions differ widely across jurisdictions

- The Federal Reserve resumed monetary easing in September 2025, cutting its policy rate by 25 basis points to a range of 4.00–4.25%. This marks the first reduction since December 2024. Although inflation remains above the 2% target, the FOMC prioritized rising risks to its maximum employment mandate.
- Following the June cut that brought the deposit rate to 2.0%, the ECB has kept its rates steady, signaling comfort with the current stance amid moderate GDP growth and inflation at target.
- Balancing slowing growth against persistent services inflation and strong wage growth, the Bank of England has pursued a “cut-and-hold” strategy, reducing rates at alternate meetings. The Bank Rate reached 4.0% in August, down from its 2024 peak of 5.25%.
- The SNB cut the policy rate to 0.0% in June amid stagnant prices but kept rates unchanged in September, indicating reluctance to move into negative territory unless deflation risks intensify.
- Despite inflation trending upward and remaining above the target, both the Swedish Riksbank and Norges Bank delivered two 25 bp cuts in June and September. The Riksbank signaled it is likely done with easing, while Norges Bank retains limited room for further cuts, contingent on clearer signs of disinflation.
- Monetary policy continues to diverge across CEE. The CNB paused after cutting to 3.5% in May, viewing the stance as near neutral, though brisk wage growth poses upside inflation risks. Hungary and Romania have kept rates on hold amid persistent price pressures. In contrast, the NBP is easing gradually, with four cuts totaling 125 basis points, bringing the policy rate to 4.5% in October.

Central bank interest rates (in percentage)

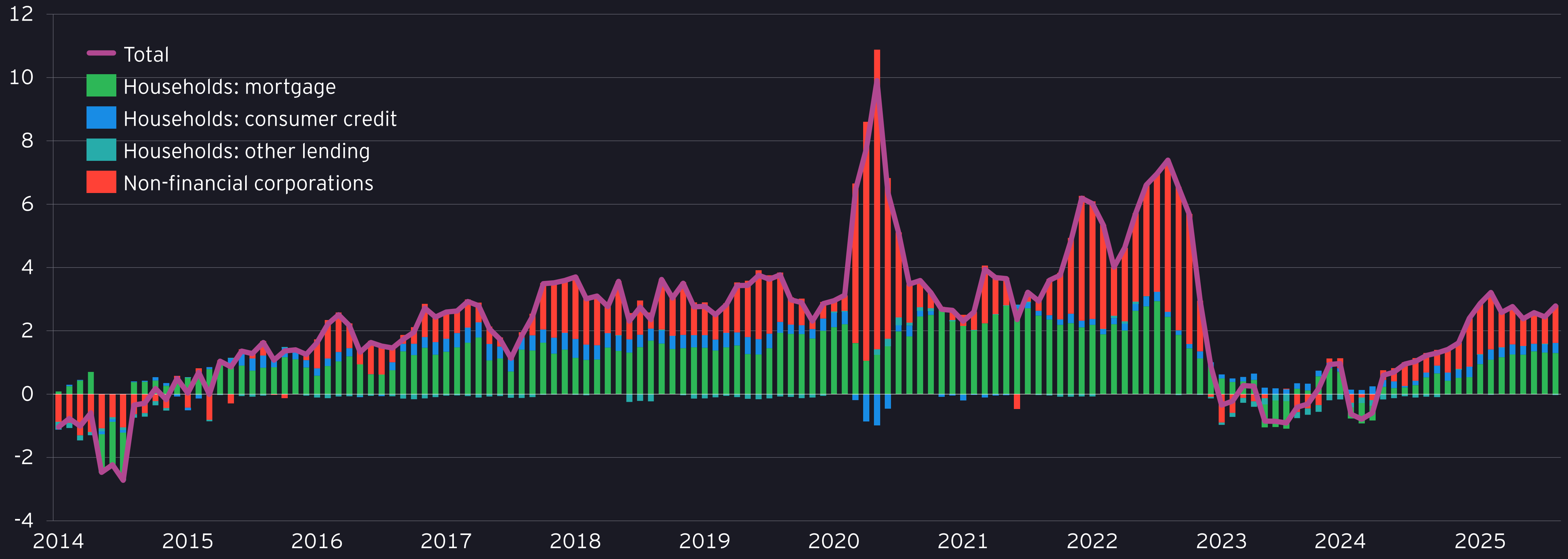


Source: ECB; Fed; BoE; BIS, Trading Economics.

Monetary policy easing has supported credit growth; however, the expansion remains relatively modest

- Lending to both households and businesses has shown some improvement, but the increase is modest compared to previous cycles.
- This limited expansion reflects a combination of factors: banks remain cautious in their lending practices, and both firms and consumers are hesitant to take on new debt amid ongoing economic uncertainties. Additionally, the recovery in investment and consumption has been gradual, which continues to dampen demand for credit.

Monthly growth in loans to households and non-financial corporations in the euro area
(in percentage, annualized and seasonally adjusted, 3-mth moving average)

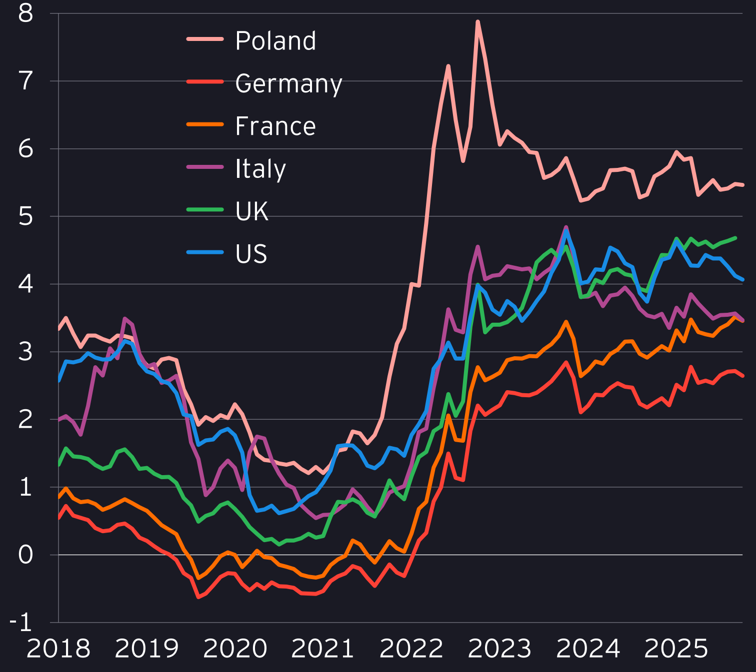


Source: ECB, EY calculations.
Note: Series for households include NPISH.

French and British bonds are under pressure due to concerns about fiscal sustainability. The overperformance of European stocks has come to an end, with the US leading the way once again. Meanwhile, gold and silver prices have surged

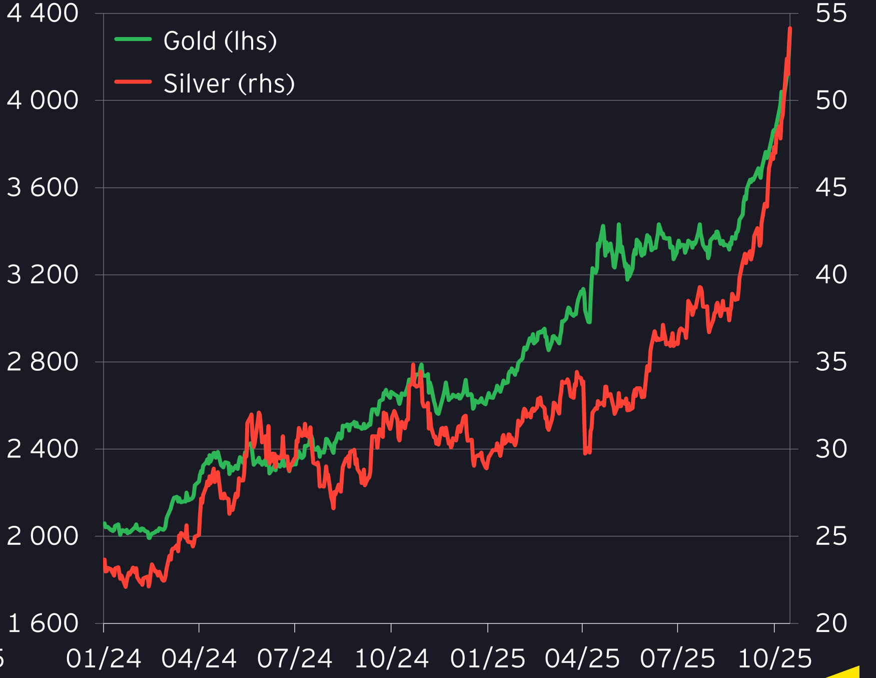
- French 10-year government bond yields rose by about 20 basis points over the summer, driven by renewed political tensions and doubts about the government's capacity to enact fiscal reforms. The spread between French and German bonds widened, even though German yields remain above 2024 levels due to planned fiscal expansion. French yields are now on par with Italy, reflecting improved investor sentiment toward Italian fiscal policy.
- In the UK, yields were anchored by persistent inflation and fiscal uncertainty, with monetary policy easing providing limited relief. Long-term yields remained high due to concerns about the UK's fiscal outlook and the government's ability to implement consolidation.
- While stock prices in Europe have stabilized in recent months following strong gains in the first half of 2025, the US market has grown by more than 10% since June, driven by tech stocks amid the AI revolution. With the price-to-earnings ratio approaching levels seen during the 2000 dot.com bubble, concerns regarding a price bubble have gained traction.
- Meanwhile, gold and silver prices have increased by more than one-third since August, raising concerns about a potential price bubble.

10-year government bond yield
(in percentage)



Major stock price indices
(index, 2019Q4=100)

Gold and silver prices
(USD per troy ounce)

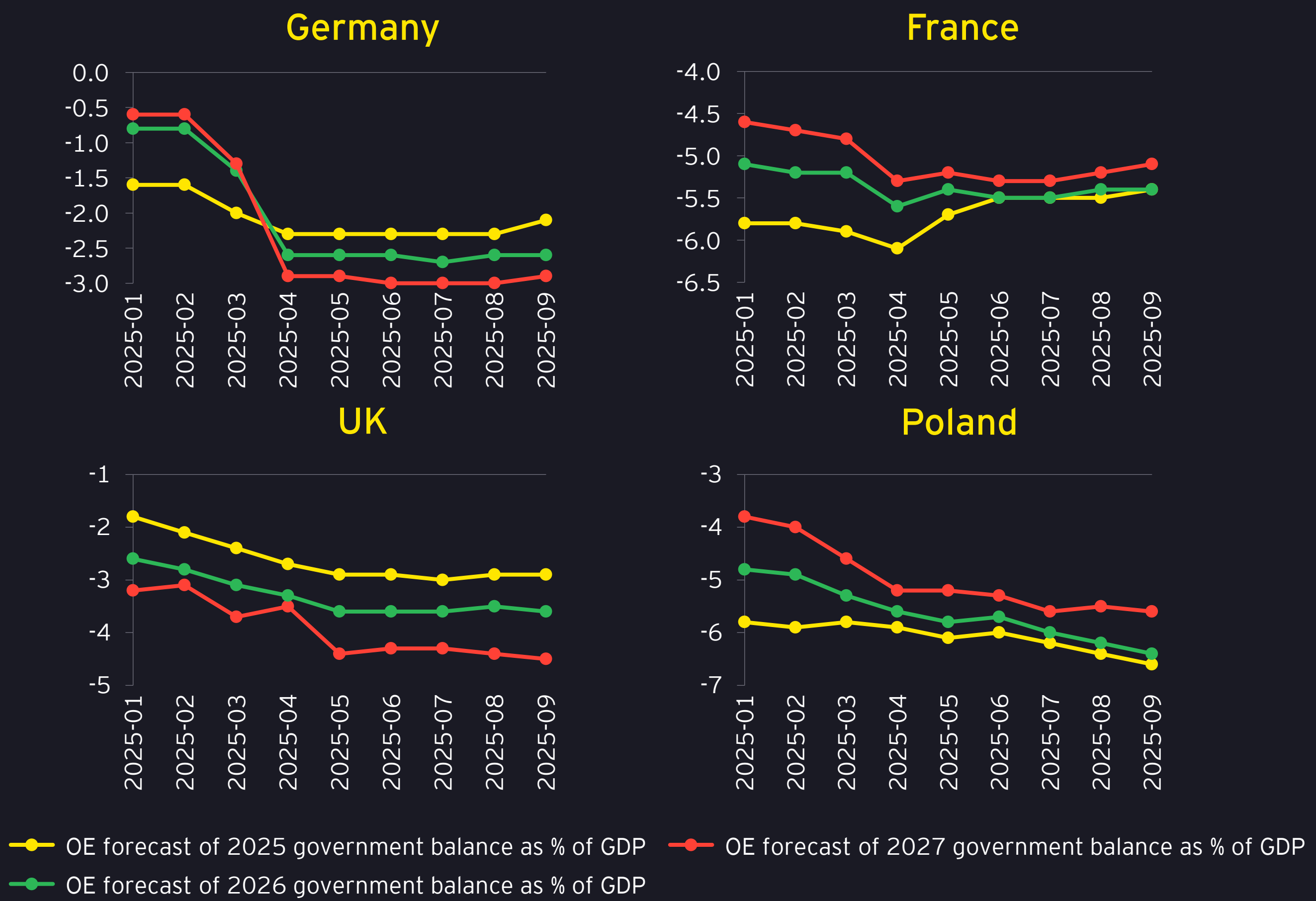


Source: Bank for International Settlements (BIS), Stooq.pl, investing.com.

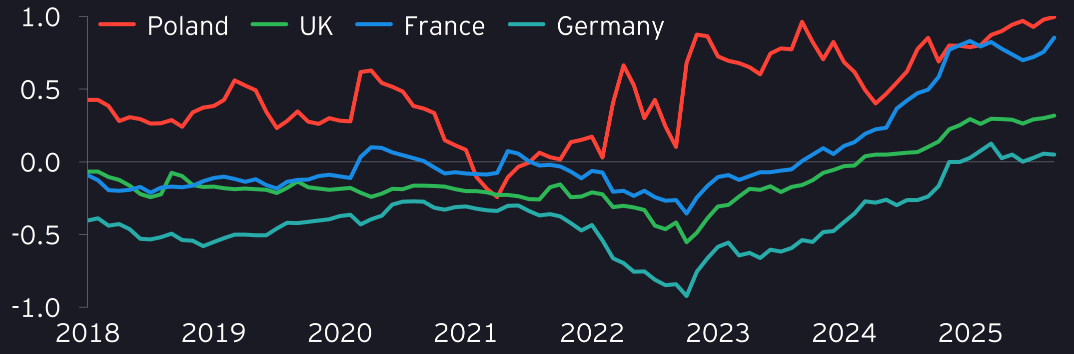
Expectations of widening fiscal deficits have translated into higher bond yields through an increase in the risk-premium component, as illustrated by the widening spread between government bond yields and interest rate swaps

- Historically in Europe, a temporary deterioration in the fiscal balance by 1% of GDP has been associated with an increase of just over 10 basis points in the 10-year bond yield, with the peak impact typically occurring 3-4 years after the fiscal slippage.

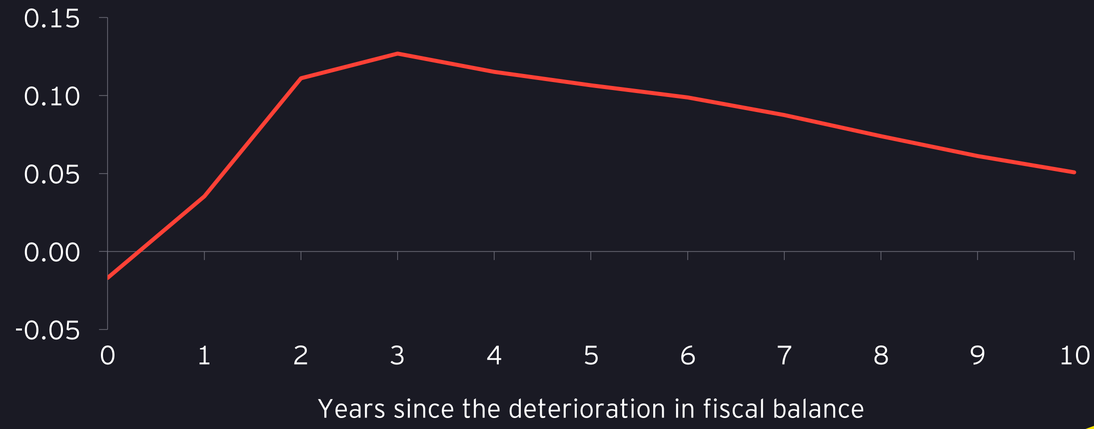
Expected government balance (in percentage of GDP)



Spread between 10Y government bond yield and 10Y interest rate swap (in percentage points)



Reaction of 10Y government bond yield to a 1% of GDP temporary deterioration in government balance* (in pp)



Source: Reuters, Oxford Economics.

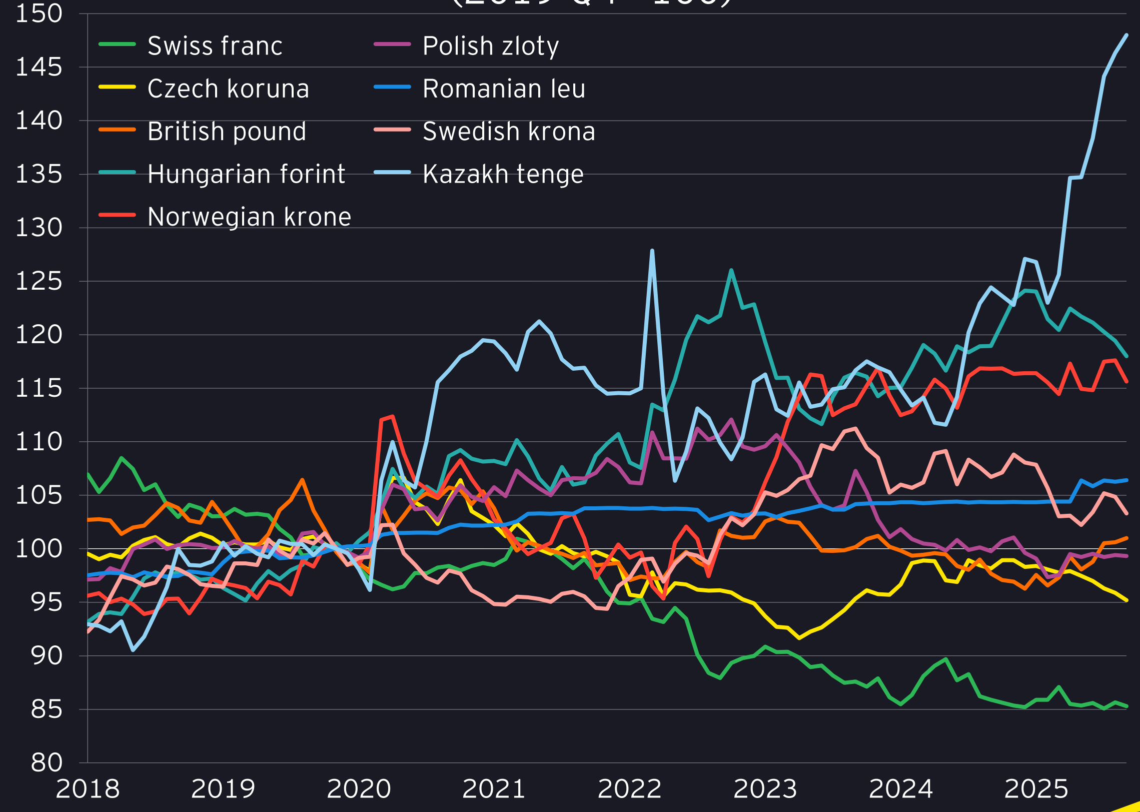
* The estimates are obtained from a VAR model using a panel of 28 European countries and annual data for the period 2000-2025, comprising six variables: CPI inflation, y/y GDP growth, government balance (% of GDP), average credit rating, central bank interest rate, and the 10-year government bond yield.

The euro continued to strengthen against the USD, supported by a tightening interest rate spread and US tariffs

- The euro continues to appreciate against the USD. The less significant impact of trade disruptions and Germany's fiscal package have supported the currency, while the start of monetary easing in the US and the European Central Bank's cautious approach further favor the euro.
- CEE currencies have shown strength, benefiting from a weaker USD and lower vulnerability to trade uncertainty. The Czech koruna and Hungarian forint have appreciated, while the Romanian leu and Polish zloty remained broadly stable but continued to appreciate in real terms due to higher inflation.
- Western European currencies have remained close to early 2025 levels, although volatility has increased. In contrast, the British pound continues to weaken, driven by rising inflation and growing fiscal concerns. Kazakhstan's tenge has already depreciated by more than 15% in 2025, pressured by lower oil prices, subdued FDI inflows, and rising inflation.

EUR/USD exchange rate

Exchange rates vs. EUR
(2019-Q4= 100)



Source: Bank for International Settlements (BIS), Stooq.pl, investing.com.

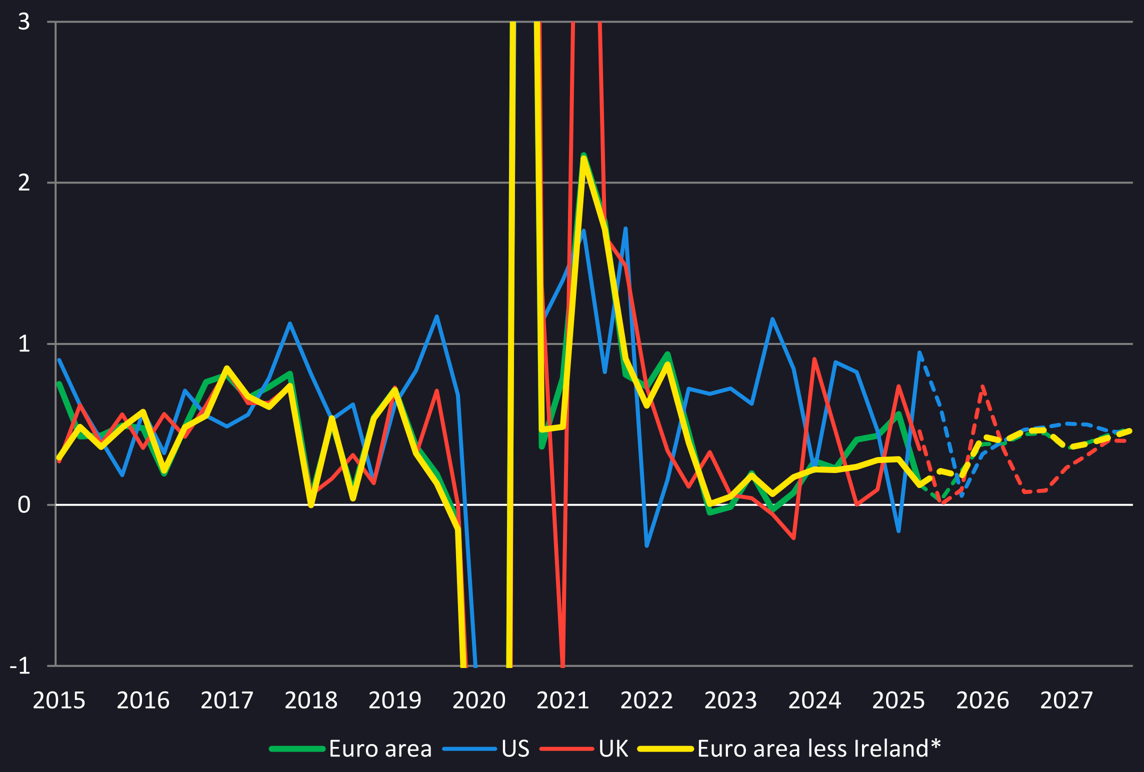
Chapter 3

Economic outlook

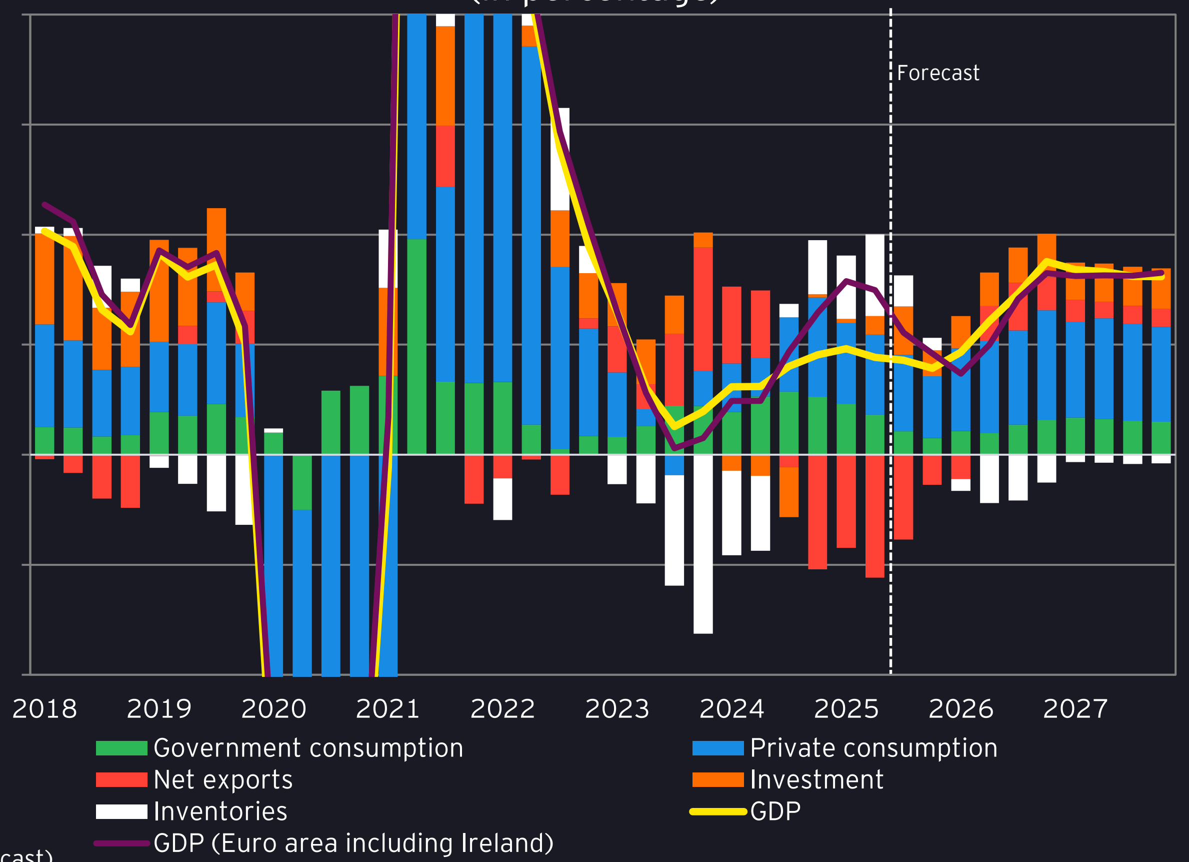
Excluding Ireland, we expect growth in the euro area to slow in the second half of 2025 as the effects of tariffs take hold, before gradually picking up, supported by fiscal policy and lower interest rates.

- In the second half of 2025, growth is likely to slow as the effects of tariffs take hold. From 2026 onward, investment is expected to gradually pick up, supported by reduced interest rates, rebounding profits, and an expansion of government spending. Consumer spending will reaccelerate as consumer sentiment improves. Finally, exports are anticipated to gain momentum despite a challenging environment.
- Despite the improvement in these underlying trends, GDP growth in the euro area is expected to slow to 1.1% in 2026, down from 1.3% this year, primarily due to a dip in Ireland following a double-digit increase in Irish GDP this year.

Q/q real GDP growth (in percentage, seasonally adjusted)



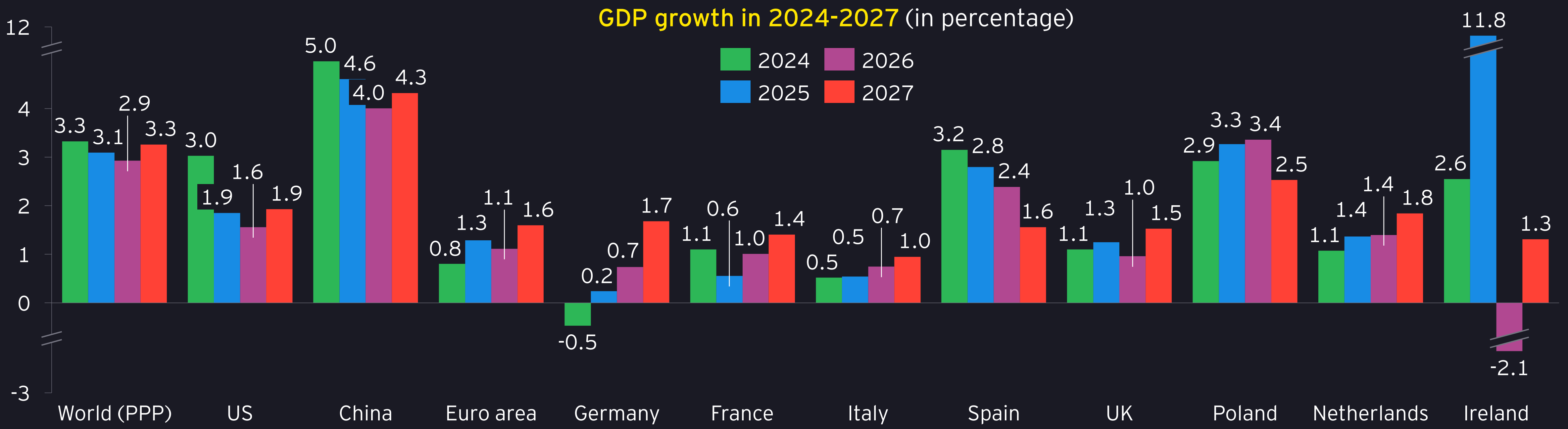
Decomposition of y/y GDP growth in the euro area less Ireland* (in percentage)



Source: Eurostat, FRED, ONS, EY EAT forecast, EY Parthenon (US forecast), EY Item Club (UK forecast).
Dashed lines denote forecast
* Ireland is excluded as its GDP tends to be very volatile, reflecting the outsized role multinational corporations play in the economy.

Growth disparities between tourism-oriented and industry-heavy economies will persist this year but are expected to gradually diminish from 2026, supported by fiscal expansion in Germany.

- **Poland** is set to maintain the strongest growth at 3.3% in 2025 and 3.4% in 2026, driven by robust real income gains, expansionary fiscal policy, and elevated public investment, before gradually slowing.
- **Spain** is projected to continue expanding, with a growth rate of 2.8% in 2025, supported by immigration and tourism. However, its growth is expected to moderate to around 1.6% by 2027-28.
- **Germany** remains effectively in stagnation, with a meager growth rate of 0.2% anticipated this year. Given the drag from tariffs and the gradual implementation of the fiscal package, we expect only a slight improvement to 0.7% in 2026, before growth surges above 1.5% in the following years.
- **France's** growth outlook is subdued due to political and fiscal challenges. We expect growth to slow to 0.5% in 2025 before gradually accelerating to 1.0% in 2026 and approximately 1.5% in 2027-28.
- **The Italian economy** is expected to grow slowly, maintaining a pace of 0.5% from last year, with an improvement to 1.0% in 2027-2028.
- **In the UK**, despite a strong start to 2025, growth is forecast to slow from 1.3% in 2025 to 1.0% in 2026 amid headwinds from higher inflation, tariffs, and tighter fiscal policy, before picking up again to 1.5% in 2027.

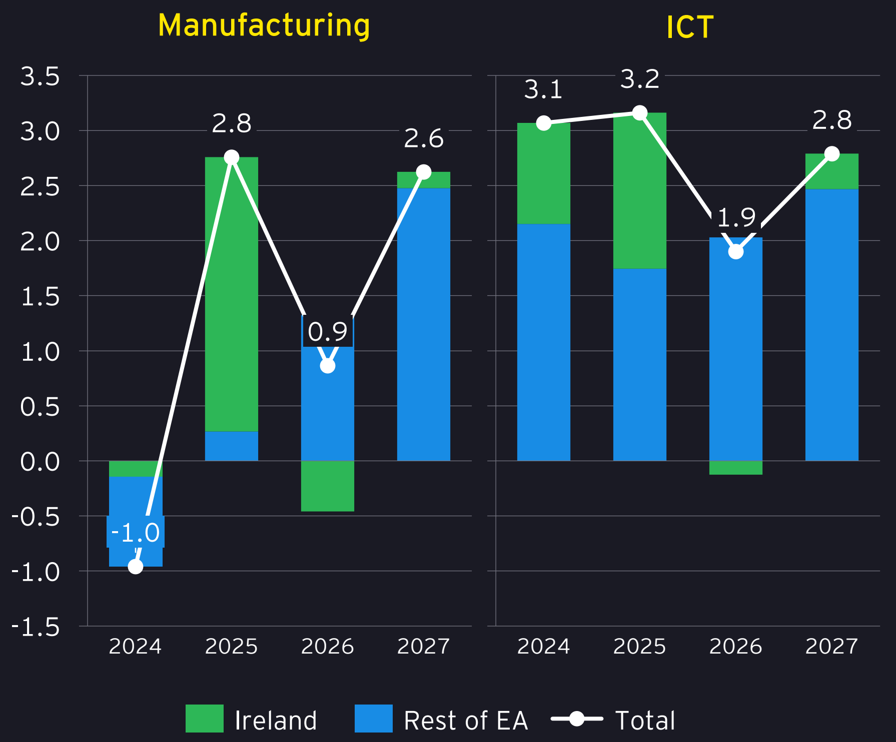


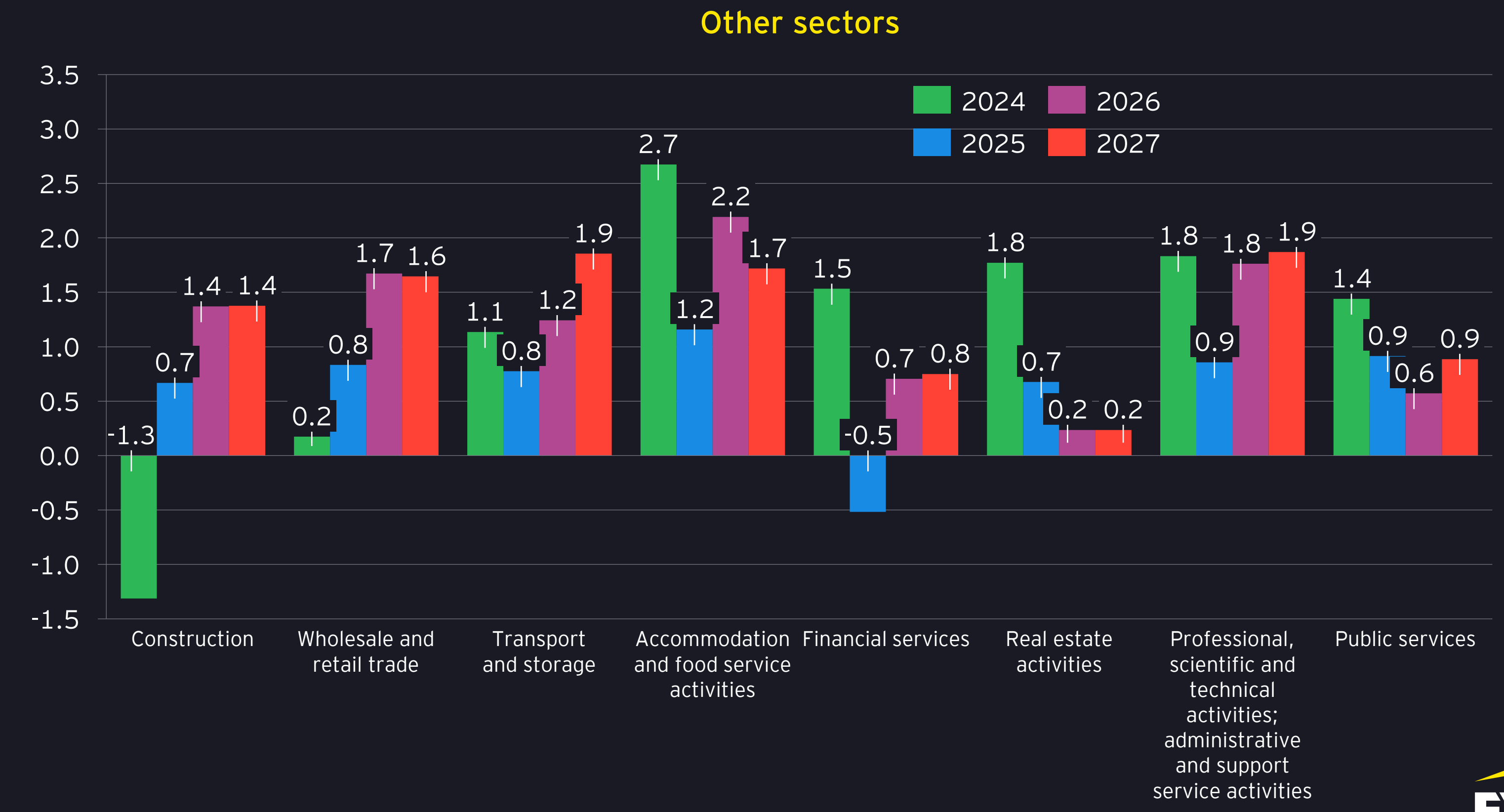
Source: Oxford Economics, EY EAT forecast, EY Parthenon (US and China forecasts), EY Item Club (UK forecast), EY Italy.

Setting aside Irish distortions, we expect the recovery in manufacturing, construction, and trade to continue in 2026-27.

- Manufacturing is expected to post strong growth this year, driven by a tariff-related increase in pharmaceutical production in Ireland. Outside of Ireland, the sector has begun to gradually recover, and we anticipate this trend to continue in 2026-27, despite headwinds from tariffs.
- The ICT sector will likely remain a top performer, although the activity of multinationals located in Ireland plays a significant role in this sector, which may lead to some slowdown next year.
- A cyclical recovery is anticipated to continue in construction, supported by reduced interest rates and an expansion of government investment. Similarly, we expect a continued recovery in wholesale and retail trade as consumer recovery spreads further from services to goods.
- Despite a dip in growth this year, we expect tourism-related and professional services to remain among the best-performing sectors in the medium term.

GVA growth by sector in the euro area (y/y, in percentage)



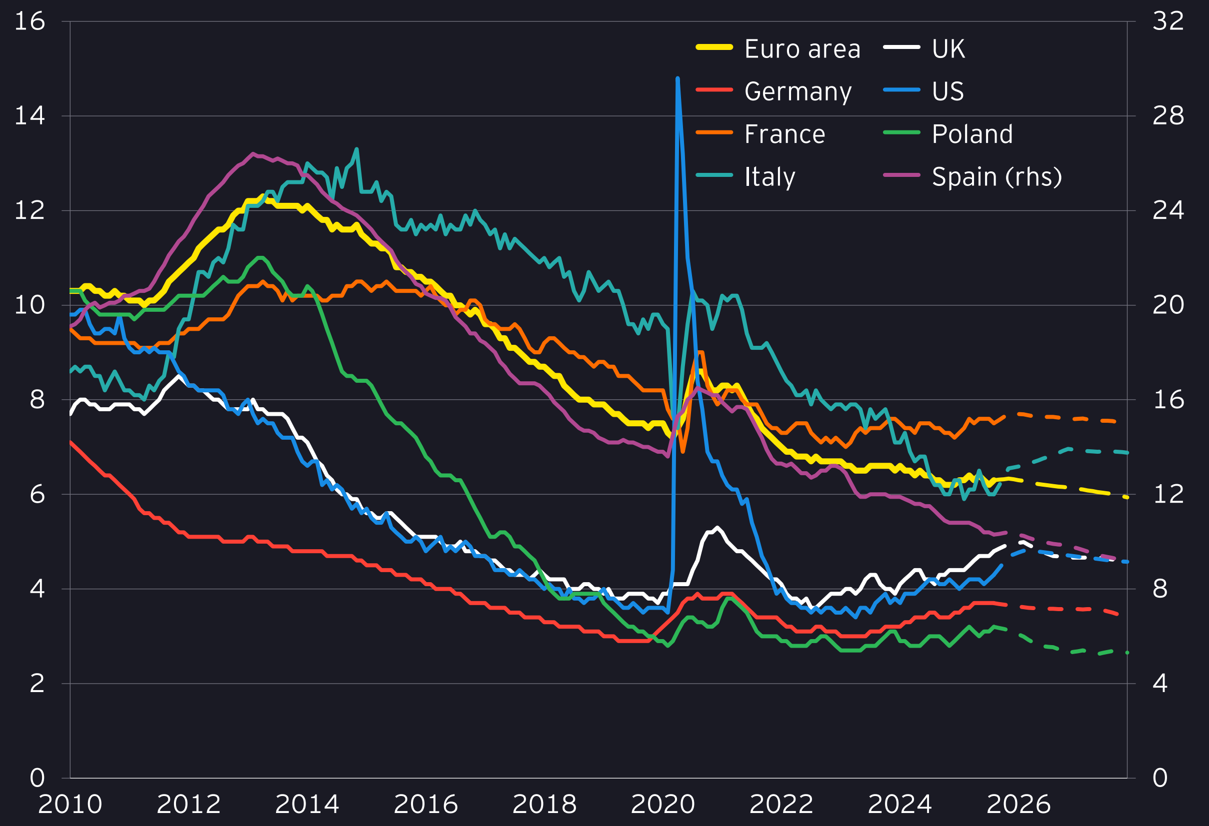


Source: Oxford Economics, EY EAT forecast.

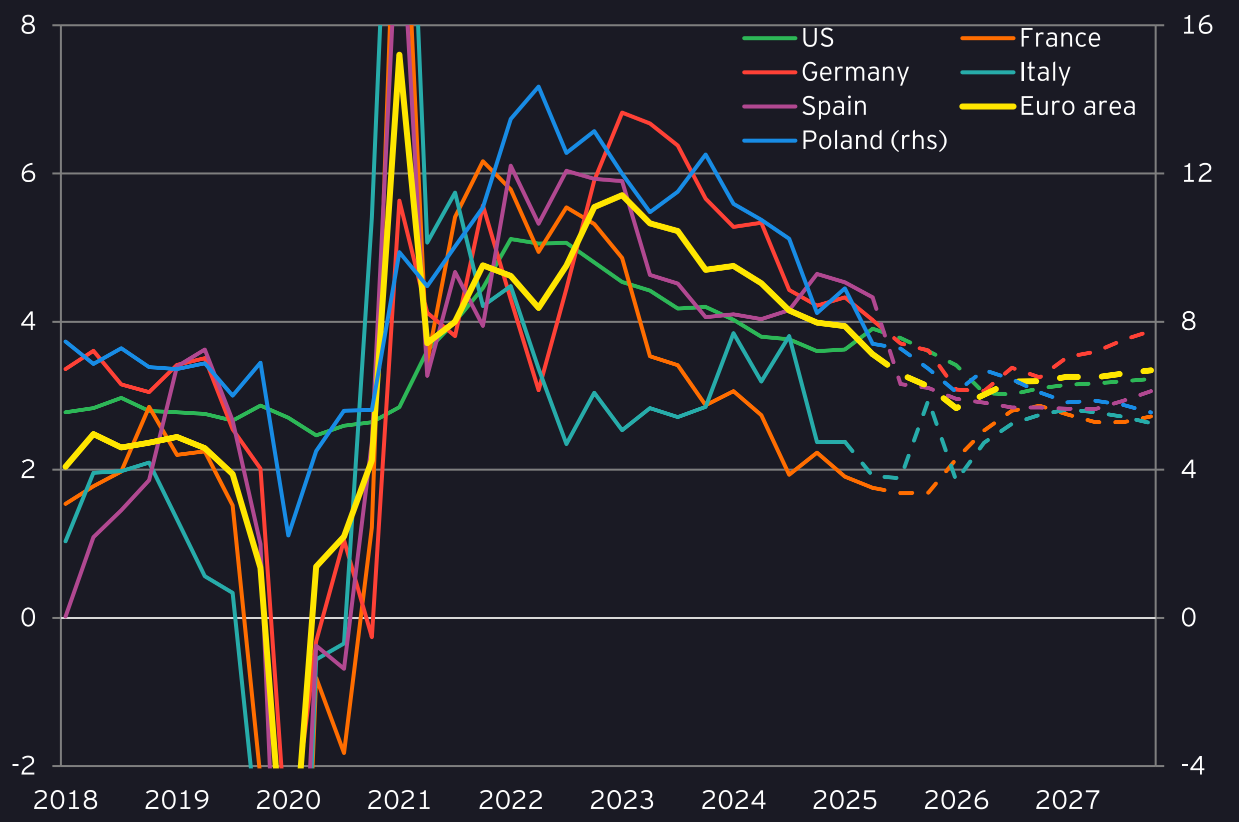
Labor market conditions in the euro area are expected to further stabilize, with wage growth gradually declining toward 3%—still higher than pre-pandemic levels due to a structurally tighter labor market.

- Employment growth in the euro area is expected to stabilize around 0.1% q/q. The unemployment rate should remain stable in the short term, with a slow but steady decline anticipated as GDP growth accelerates and labor supply constraints increasingly take effect.
- Employment growth is projected to decelerate but remain robust in Spain. In contrast, Italy's labor market—an overperformer in the euro area since late 2022—is expected to experience slight deterioration, with employment remaining steady and unemployment increasing.
- Wage growth in Poland is likely to stabilize at an elevated level above 5%, while euro area economies are heading toward the 2.5-3.5% range. Germany is expected to be an overperformer starting in 2027, driven by fiscal stimulus and a declining labor supply.

LFS unemployment rate (in percentage)



Wage growth (y/y, in percentage)

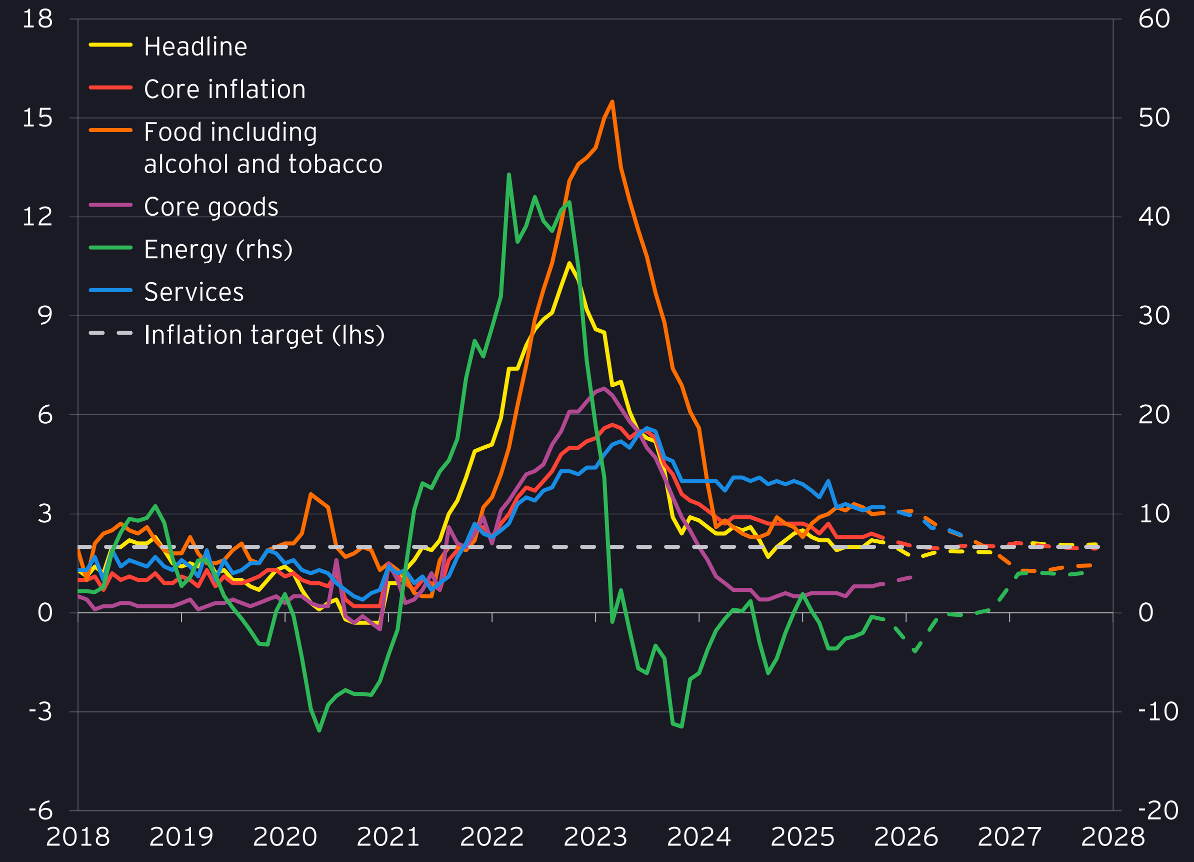


Source: Eurostat, Oxford Economics, EY EAT forecast, EY-Parthenon (US forecast), EY Item Club (UK forecast), EY Italy.
Dashed lines denote EY EAT forecast.

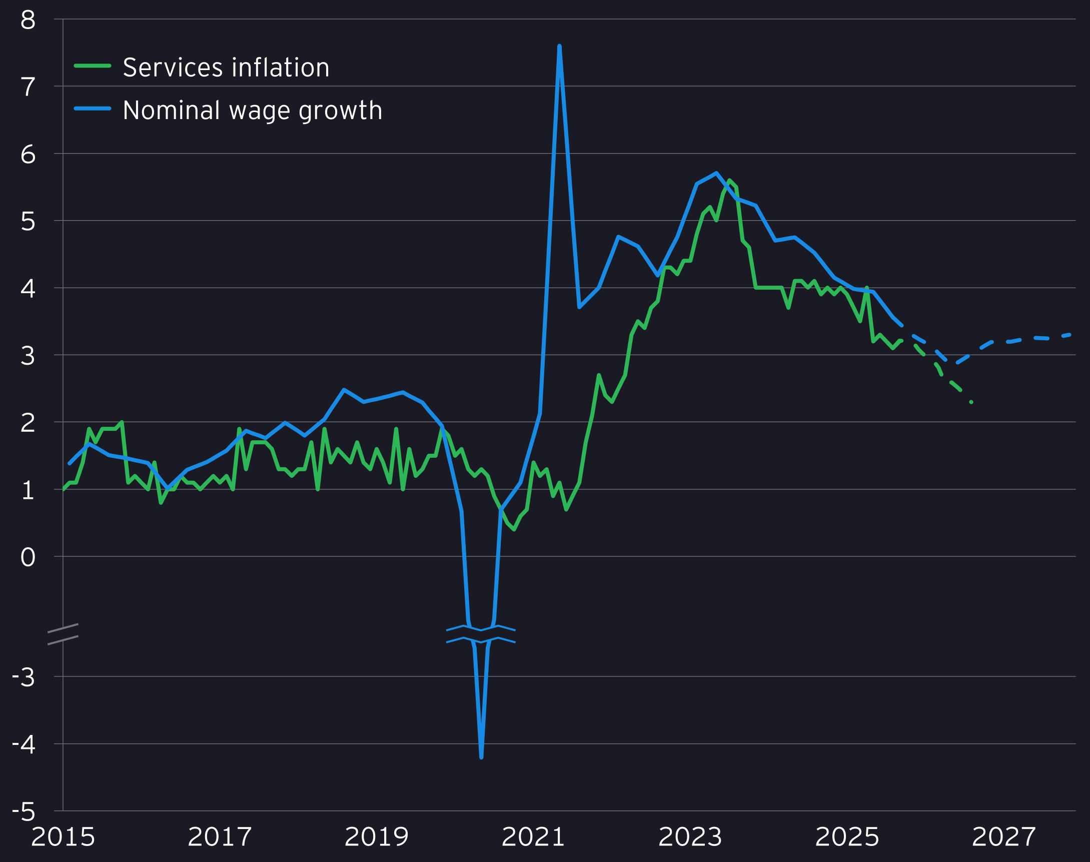
Headline inflation is expected to remain close to 2%, with only a minor undershooting anticipated in 2026

- Core and food inflation are expected to decline to 2% by mid-2026. Services inflation is projected to continue its slow but steady deceleration, in line with normalizing nominal wage growth. Energy prices are anticipated to remain in deflationary territory until the end of 2026, keeping headline inflation within the range of 1.5% to 2.0%. In 2027, energy inflation may increase if the planned ETS extension comes into force, potentially pushing headline inflation slightly above 2%.

HICP inflation in the euro area
(y/y, in percentage)



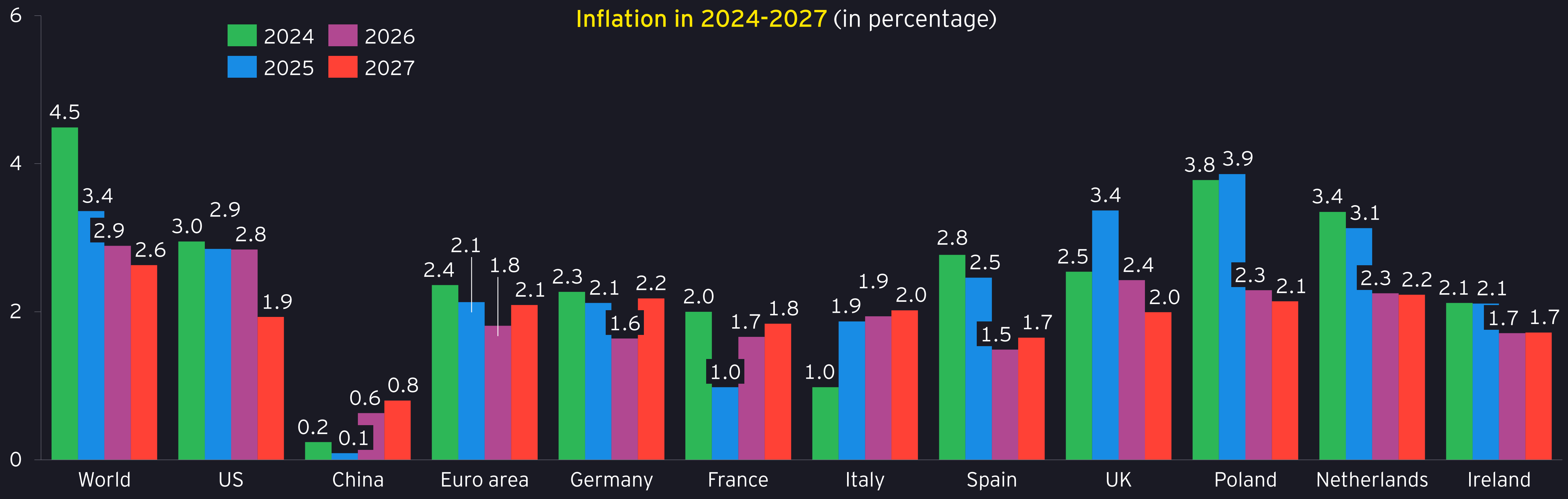
Y/y HICP services vs. nominal wage growth in the euro area (in percentage)



Source: Eurostat, Oxford Economics, EY EAT forecast.
Dashed lines denote EY EAT forecast.

By 2026, inflation is expected to return to the 1.5-2.5% range in all major European economies, including those that have previously overshot, such as the UK, Netherlands, and Poland

- In Germany and Spain, inflation is expected to undershoot 2% next year as core inflation continues to moderate and food price pressures fade. The same factors, along with a moderation in wage growth, will push inflation in the Netherlands down toward 2% from currently elevated levels.
- In contrast, inflation in France is anticipated to gradually pick up toward 2% as a significant decline in energy prices in 2025 Q2 falls out of the calculation.
- As one-off regulatory factors that have pushed up inflation and wage growth fade, the UK is expected to return to a disinflationary path, with inflation projected to return to 2% by 2027.
- In Poland, we expect that inflation will slightly undershoot the 2.5% target due to continued moderation in food inflation and a decline in regulated energy prices following lower energy commodity prices.

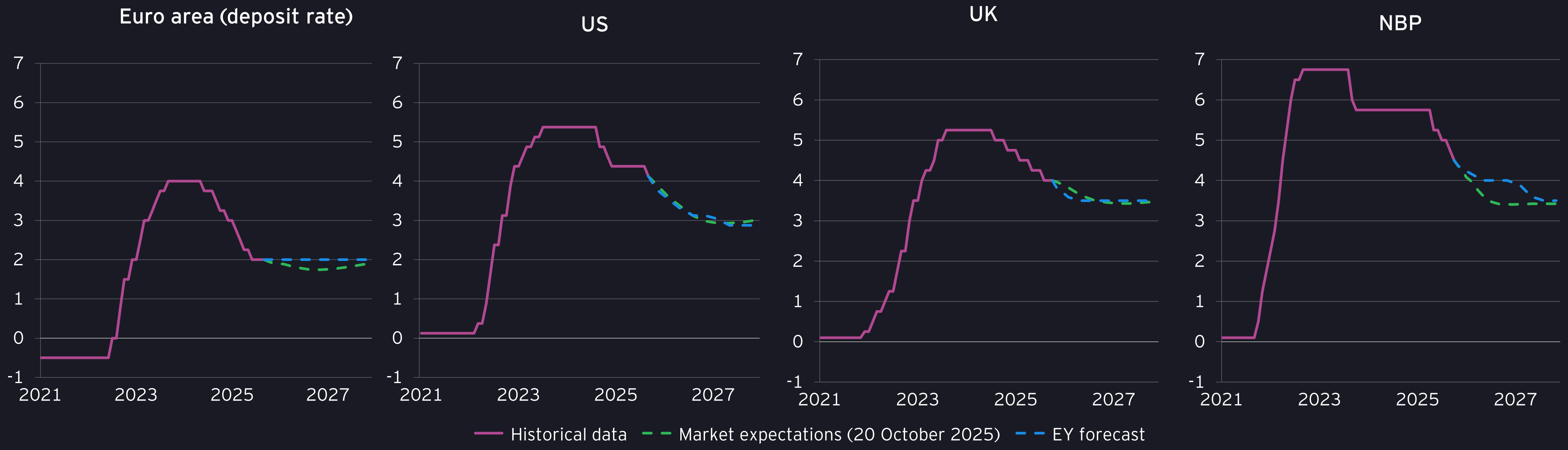


Source: Oxford Economics, EY EAT forecast, EY Parthenon (US forecast), UK Item Club (UK forecast), EY Italy.

We expect the ECB to hold rates steady moving forward, while the Fed is set to continue easing following the September cut. The balance of risks is tilted to the downside.

- The ECB signals comfort with its current stance amid inflation close to the target and decent GDP growth. Therefore, we expect the ECB to keep rates unchanged, although risks are tilted to the downside should growth disappoint, or inflation fall noticeably below the target.
- Following the Fed's September cut, we expect two more 25-basis-point cuts by the end of this year and an additional 50 basis points of easing through 2026.
- Amid rising inflation, the Bank of England is likely to adopt a cautious stance for the remainder of 2025. While our base case assumes one more rate cut this year, the chances of that happening are finely balanced. In any case, we expect two more rate cuts, bringing the Bank Rate to its neutral level of 3.5% by mid-2026 at the latest.
- The National Bank of Poland is expected to continue its measured easing cycle. While inflation is within the band of deviations from the target, fiscal vulnerabilities and external uncertainties suggest caution. We anticipate two more rate cuts by early 2026, bringing the reference rate to 4.0%. Since core inflation is expected to reaccelerate in 2026, the NBP will likely pause for the remainder of that year before reducing rates to the terminal level of 3.5% in 2027.

Historical and expected* central bank interest rates (In percentage)



Source: ECB; Fed; BoE; NBP, Reuters, Fed Atlanta, CME group, EY EAT forecast.
* For the euro area, expected interest rates implied from SOFR (EA) futures from CME group; for the UK, expected interest rates implied from SONIA (UK) futures from ICE group; for the US, expected interest rates from Atlanta Fed Market Probability Tracker; for Poland, expected interest rates implied from FRAs from Reuters.

Chapter 4

Key risk factors

While the US-EU trade deal has reduced immediate trade-related uncertainty, the economic outlook remains influenced by fiscal policy debates, geopolitical risks, and structural challenges

The economic outlook in Europe has become somewhat less uncertain following the US-EU trade agreement, which has reduced the risk of further escalation in trade tensions. However, uncertainty remains high, and several key risks persist:

1. Tariffs and Trade Policy:

- The recent US-EU trade deal has eased concerns about a further escalation of tariffs, at least in the European context. However, trade conflicts continue to simmer, and recent escalation in the US-China relations following the imposition of rare earth metals exports controls is the best testament that tariff uncertainty has not disappeared. Tariff threats remain a bargaining chip in conflicts regarding imports of Russian oil (India) or increasing military spending by NATO members (Spain). Some decisions regarding sectoral tariffs, e.g., on semiconductors, are still pending.
- At the same time, existing tariffs remain in place and continue to impact the economy. Sectoral and supply chain adjustments are ongoing, with some industries still facing elevated costs and logistical challenges. Although the risk of an abrupt supply chain reorganization has receded, companies continue to adapt to the new trade environment.

2. Fiscal Policy Shifts:

- The German government's move toward a more expansionary fiscal stance, including increased infrastructure and defense spending, is expected to support growth in the euro area. Fiscal policy debates (especially in France), along with discussions about EU-level spending initiatives, remain in focus. The market's attention has shifted to fiscal sustainability, with investors closely monitoring budget deficits and political developments, particularly in countries with elevated debt levels.
- Exceptions for military expenditures within existing EU fiscal rules and NATO pledges may also lead to increased government spending. Furthermore, discussions regarding new spending initiatives at the EU level have emerged in response to reduced US engagement in European affairs. However, short- to medium-term benefits from increased military spending will be restricted by high import intensity.

3. Geopolitical Risks:

- The war in Ukraine continues, and Russia has recently conducted several provocations against EU and NATO countries. While the conflict in Gaza has recently de-escalated, the geopolitical situation in the Middle East remains tense. Any further or renewed escalations in these conflicts could amplify uncertainty, trigger commodity price spikes, increase shipping costs, and create bottlenecks in global trade. These developments could reignite inflation and adversely affect global economic activity, with Europe being particularly vulnerable to such shocks due to its high degree of openness.

While the US-EU trade deal has reduced immediate trade-related uncertainty, the economic outlook remains influenced by fiscal policy debates, geopolitical risks, and structural challenges.

4. Cyclical risks:

- While activity in manufacturing has picked up in recent months, it remains uncertain whether this trend will be sustained, as tariffs may lead to renewed stagnation or contraction in 2026. The outlook for consumption is also unclear; although current savings rates are higher than pre-pandemic levels—potentially providing a foundation for increased spending—this potential has not materialized in recent quarters. Additionally, with wage growth continuing to decline and consumer sentiment remaining weak, private consumption may fall short of expectations. Conversely, growth could rebound if improved financing conditions and declining inflation stimulate domestic consumption and investment.
- Spikes in energy and food prices due to adverse weather conditions or local geopolitical unrest, which could reduce supply or increase demand for these commodities, would lead to higher inflation and diminished economic activity.

5. Asset price bubbles

- The recent surge in asset prices, including US stocks and precious metals, has reignited concerns about the emergence of a price bubble. While valuations in European markets remain reasonable and the European economy is less exposed than the US to fluctuations in asset prices, a potential market crash could negatively impact Europe through reduced sentiment and spillover effects from the US.

6. Structural and long-term risks and opportunities:

- The structural decline in competitiveness among European producers is a persistent challenge, exacerbated by elevated energy prices, euro appreciation, and intensifying competition from China and other emerging economies.
- On the positive side, there is potential for stronger productivity growth, particularly if firms accelerate the adoption of digital technologies and artificial intelligence. Such advancements could help offset demographic headwinds and support higher potential growth. However, realizing these gains will require investment in skills, infrastructure, and innovation ecosystems.
- Strong immigration flows could help alleviate demographic pressures and support labor force growth, but the economic benefits depend on successful integration and labor market participation. Rising anti-immigrant sentiment in many European countries may limit the positive impact of migration, both by restricting inflows and by hampering integration efforts.

Chapter 5

Country-specific outlooks

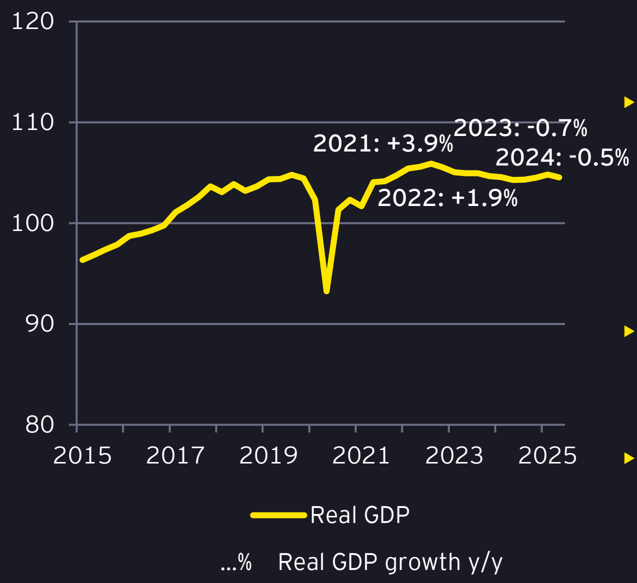
Germany: The economy remains stagnant, with only modest real GDP growth expected in 2025, but shifts in economic policy could yield a turnaround in the following years

	GDP growth	Inflation	Current account balance	LFS unemployment rate
2025F	+0.2%	+2.1%	+5.3%	3.7%
2026F	+0.7%	+1.6%	+5.8%	3.6%
	Real GDP growth (y/y)	Headline CPI Inflation (y/y)	In % of GDP	% of civilian labor force
	Source: EY EAT forecast.	Source: EY EAT forecat.	Source: EY EAT forecast.	Source: EY EAT forecast.

Ifo business climate indicators (2015=100)

Source: Ifo

Real GDP (calendar- and seasonaly-adjusted) (2020=100)

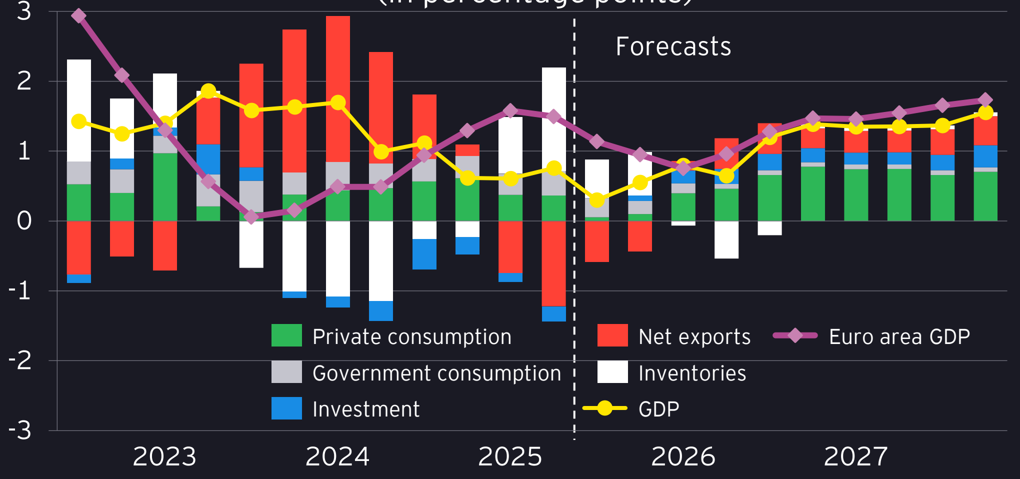


Source: Destatis

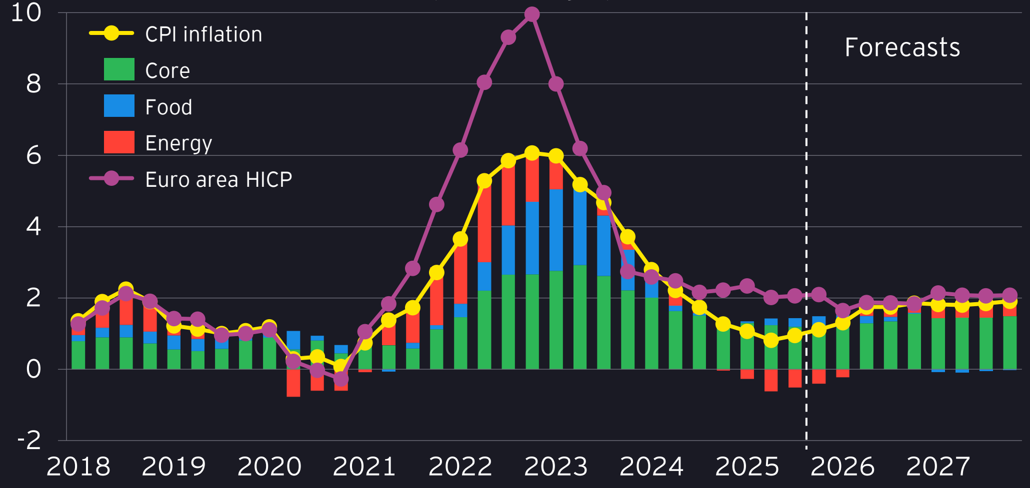
- **The German economy remains in stagnation, with real GDP having declined by 0.5% in 2024, while modest growth of 0.2% is expected in 2025.**
  - Economic recovery stalled in the second quarter of 2025, with real GDP contracting by 0.1% q/q, following modest growth in preceding quarters.
  - Revised data indicate that the post-pandemic rebound in 2021-2022 was stronger than previously estimated. However, the downturn triggered by Russia's war against Ukraine proved deeper, confirming a recession in 2023-2024.
  - Exports have remained a key weak spot, declining by 1.9% in 2024 and expected to stagnate in 2025. Germany's current account surplus fell to €8.3 billion in August 2025, down 46% y/y.
  - According to Ifo, perceptions of the current business situation remains subdued. Companies report ongoing weak demand and a deterioration in competitiveness, suggesting no imminent turnaround in growth.
- **Nonetheless, a shift in economic policy has induced some optimism,** reflected in a substantial rise in business expectations (according to Ifo) since early 2025. The policy boost will, however, be partly offset by newly imposed US tariffs - 15% on imports from the EU (including cars and pharmaceuticals) and 50% on steel and aluminum - affecting Germany's most important export destination. **Taking into account the tariff impact and likely delays in the implementation of the fiscal package, GDP growth is expected to accelerate only modestly to 0.7%** in 2026, **before gaining momentum to 1.7%** in 2027.
- In addition to the €500 bn defense and infrastructure fund, the new federal government has introduced an **immediate action program for investment** that includes:
  - Temporary measures, such as (i) a degressive tax depreciation for investments in equipment until end-2027, (ii) a special accelerated depreciation schedule on commercially used BEVs, and (iii) an increased tax allowance for R&D;
  - A commitment to gradually lower the federal corporate income tax from 15% in 2027 to 10% in 2032.
- **Due to subdued economic activity, unemployment is edging higher. The average LFS unemployment rate rose to 3.4% in 2024** and is expected to increase gradually to 3.7% in 2025 before easing slightly to 3.6% in 2026. While the labor market may benefit from the eventual recovery, employment growth will remain constrained by demographic factors.
- **Inflation in Germany has fluctuated within the 2-2.5% range in recent months.** Services and core inflation have generally been declining, despite some volatility caused by package holiday prices, but remain above 2%. Falling energy prices have acted as a disinflationary force. Inflation is expected to average 2.1% in 2025 before declining to 1.6% in 2026 as services inflation eases further.

France: political instability continues to weigh on growth. Nevertheless, a recovery is expected from 2026, although fiscal risks remain elevated

Decomposition of y/y GDP growth in France
(in percentage points)



Decomposition of y/y CPI inflation in France
(in percentage points)

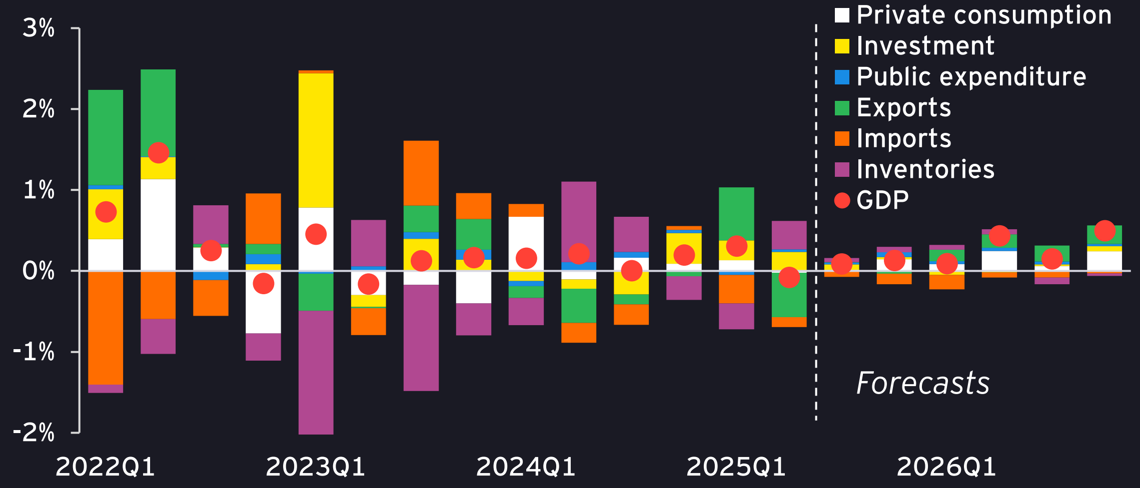


Source: Eurostat; Oxford Economics; EY EAT forecast.

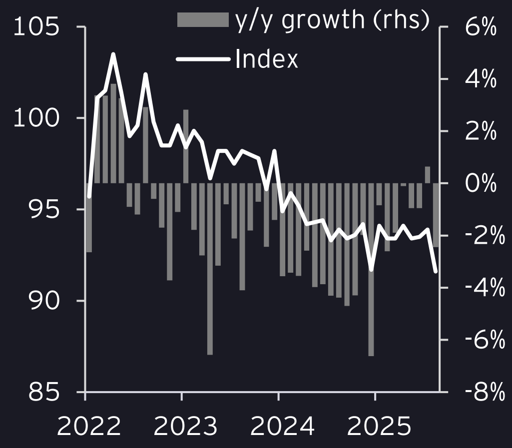
- **In the first half of 2025, France experienced only modest growth,** with real GDP growth increasing by 0.2% q/q, broadly in line with 2024. This growth was driven primarily by an increase in inventories, while underlying private demand continued to soften. Private consumption declined as households, facing heightened political and fiscal uncertainty, raised their saving rate to 18.9%. One-off factors—such as fewer car purchases following a late-2024 pull-forward and reduced energy consumption due to mild weather—further constrained spending. Investment remained subdued amid shrinking profit margins and ongoing political instability. Exports stagnated, showing no significant impact from tariff frontloading. Consequently, labor market conditions deteriorated, with employment falling, unemployment rising, and nominal wage growth slowing to below 2% y/y.
- **The outlook suggests that conditions will worsen before they improve.** Stagnation is expected to persist through the second half of 2025, as weak demand continues due to US trade tariffs and domestic political uncertainty, while the recent inventory buildup unwinds. As a result, **GDP growth is projected to slow to 0.6% in 2025**, down from 1.1% in 2024. We expect a recovery to begin in 2026, supported by real wage gains and a gradual normalization of household saving, which should bolster consumption. Higher corporate profits and lower interest rates are expected to spur investment, while a rebound in external demand should finally translate into stronger exports. **GDP is forecasted to increase by 1.0% in 2026 and 1.4% in 2027.** However, **risks remain tilted to the downside** if political uncertainty continues to weigh on sentiment and exports underperform.
- **Inflation in France remains notably subdued, with consumer prices rising more slowly than in most of the euro area.** A decline in regulated electricity prices and contained services inflation (1.9% y/y in September), reflecting weak wage growth, have been the main contributors. Headline CPI inflation has hovered around 1% since February, reaching 1.2% y/y in September. Looking ahead, inflation is expected to remain close to 1.0% for the remainder of 2025, before gradually rising to around 1.8% as the impact of the electricity price drop fades and core inflation components recover.
- **Political turbulence has re-emerged.** Prime Minister François Bayrou's government collapsed in September following opposition to proposed fiscal tightening measures. Sébastien Lecornu has since taken office, surviving no-confidence votes after pledging to suspend pension reform. The government faces significant challenges in passing the 2026 budget, and the absence of a clear parliamentary majority makes any meaningful reduction in the deficit—currently above 5% of GDP—unlikely in the near term. Reflecting these challenges, Fitch and S&P downgraded France's sovereign credit rating from 'AA-' to 'A+', while the sovereign bond spread against German bunds widened further from 70 to 80 basis points, reaching levels comparable to Italy.

Italy: GDP growth is expected to reach 0.5% in 2025, supported by positive investment dynamics. Growth is projected to accelerate slightly to 0.7% in 2026, driven by stronger private consumption. However, newly imposed trade tariffs are likely to weigh on overall economic performance.

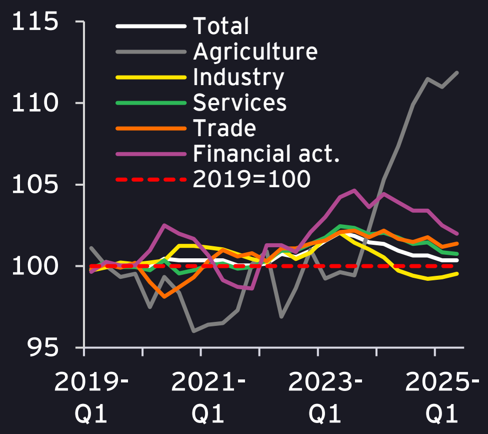
GDP growth decomposition in Italy
(q/q, in percentage points)



Industrial production index
(index 2021=100 and y/y, in p.p.)



Mark-up by economic activity
(index, 2019=100)

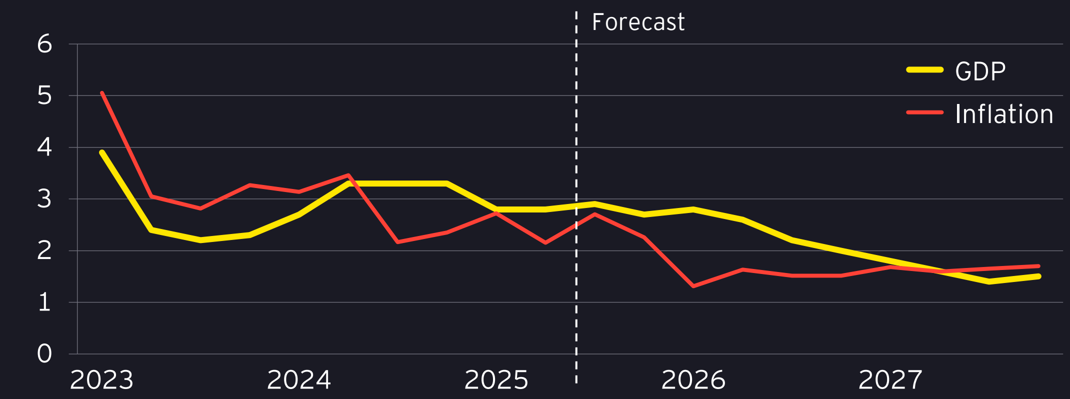


- **Following a modest GDP contraction of 0.1% q/q in Q2 2025—mainly reflecting a negative contribution from net exports—Italy is expected to return to slight growth in Q3 (+0.1%), with a similar pace projected for Q4.** The recovery is supported by positive contributions from private consumption and investment.
- **For the full year 2025, GDP is projected to grow by 0.5%, driven by robust investment growth (+2.5%) and a modest increase in private consumption (+0.5%),** together contributing around 0.9 percentage points to overall growth. Investment dynamics are supported by lower interest rates, higher government investment, and positive spillover effects from public incentives (e.g., "Superbonus 110%") in non-residential buildings, while investment in dwelling continues to contract. In contrast, external demand is expected to subtract from growth amid heightened global uncertainty and the impact of US trade tariffs.
- **In 2026, GDP growth is expected to accelerate to 0.7%,** underpinned by stronger private consumption and an improvement in export performance, despite the ongoing drag from tariffs. The net contribution from external demand is, however, still projected to remain negative.
- **The industrial sector continues to face structural challenges.** While July data showed year-on-year expansion and PMI surveys indicated easing pessimism, most recent figures for August and September point to renewed weakness, with industrial output contracting and the PMI slipping below the expansion threshold.
- **Headline inflation remains below 2% (1.6% in September), broadly stable since the beginning of the year.** This reflects steady core inflation near 2%, a notable contribution from non-processed food prices, partly driven by increased sectoral markups, and declining energy prices. Inflation is projected to average 1.9% in both 2025 and 2026.

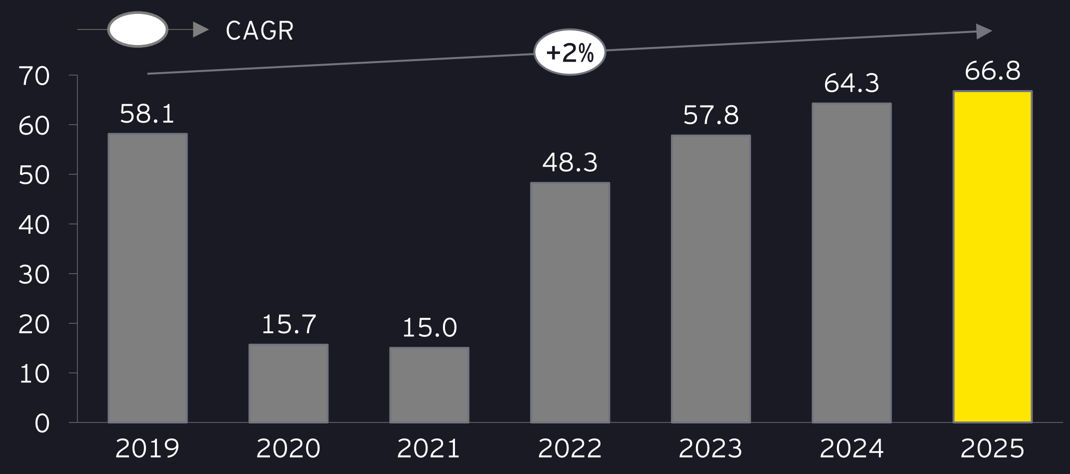
Source: EY Italian Macroeconomic Bulletin, September 2025; ISTAT.

Spain: strong growth momentum keeps Spain among Europe's best-performing economies, although political hurdles and inflation risks loom

Y/y real GDP growth and CPI inflation (in percentage)



Total tourists (millions, Jan-Aug)

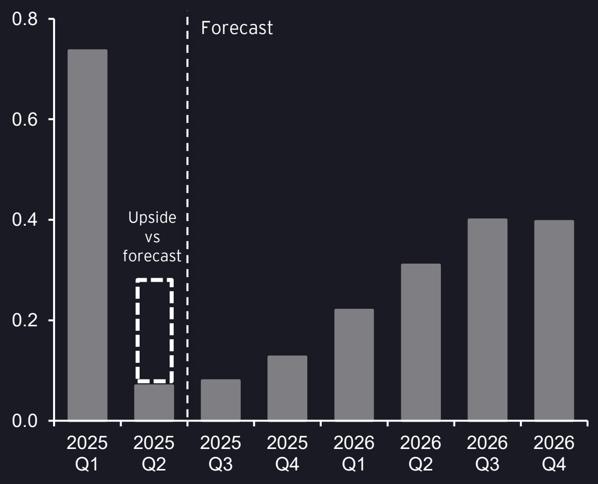


- **In Q2 2025, Spain's economy continued to grow at a robust pace.** Real GDP expanded by 2.8% y/y, unchanged from the previous quarter and double the euro area average of 1.4%. Growth remained driven by domestic demand, supported by resilient job creation (particularly in the services sector), strong investment, and the ongoing expansion of the labor force through immigration. Service exports continued to perform well, offsetting weaker goods exports amid tariff turmoil. Lower financing costs and increased public spending (notably in defense and infrastructure) provided additional support, while inflation moderated on the back of lower energy prices.
- **PMI surveys indicate that growth remained solid in Q3.** Despite some monthly volatility, the composite PMI rebounded after a dip in Q2, averaging 54.1. The services sector remained the main growth engine, with the services PMI averaging 54.2. Growth was supported by strong domestic demand and a surge in new business. Firms continued to expand employment and remained optimistic, though rising labor costs sustained upward price pressures. Activity in manufacturing also improved, with the manufacturing PMI increasing to 52.4.
- **Tourism reached new highs in the summer months, although growth moderated toward the end of the season.** The slowdown was largely due to softer foreign spending, more contained domestic tourism, and disruptions from the August wildfires. Nonetheless, advance bookings point to a potential rebound in the autumn, though the sector's performance will remain sensitive to price developments, especially in accommodation.
- **After falling from 3.0% in February to 2.0% in May, inflation has picked up again in recent months, returning to 3.0% in September.** The increase was mainly driven by higher fuel prices for personal vehicles, which did not decline as much as during the same period in 2024. Services inflation remains elevated at 3.7% y/y, reflecting strong demand and ongoing cost pressures from solid wage growth.
- **The Spanish stock market continues to outperform several major European indices.** A favorable economic outlook and lower interest rates have propelled the IBEX 35 to a 36% increase YTD, outperforming the EuroStoxx50's 15% gain as of 20 October.
- **Following a projected GDP growth of 2.8% in 2025, we expect a gradual slowdown to 2.4% in 2026 and 1.6% in 2027**, amid a likely deceleration in employment, tourism, and investment growth. Domestic political instability, including difficulties in approving budgets and delays in labor, fiscal, and energy reforms, continues to weigh on business confidence and cloud the outlook. Softer demand should lead to a moderation in wage growth and services inflation, bringing headline inflation below 2%.

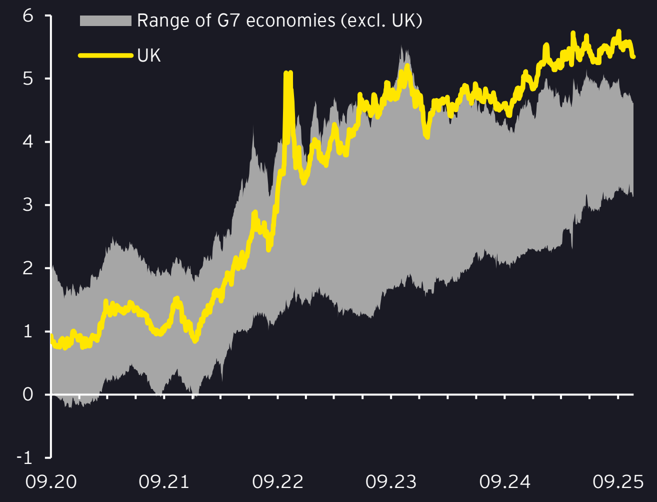
Source: Banco de España, Eurostat and Instituto Nacional de Estadística (INE).

UK: Despite an upside surprise to growth in Q2, inflation remains sticky, the labour market is loosening, and the government faces higher borrowing costs ahead of a challenging fiscal event in November

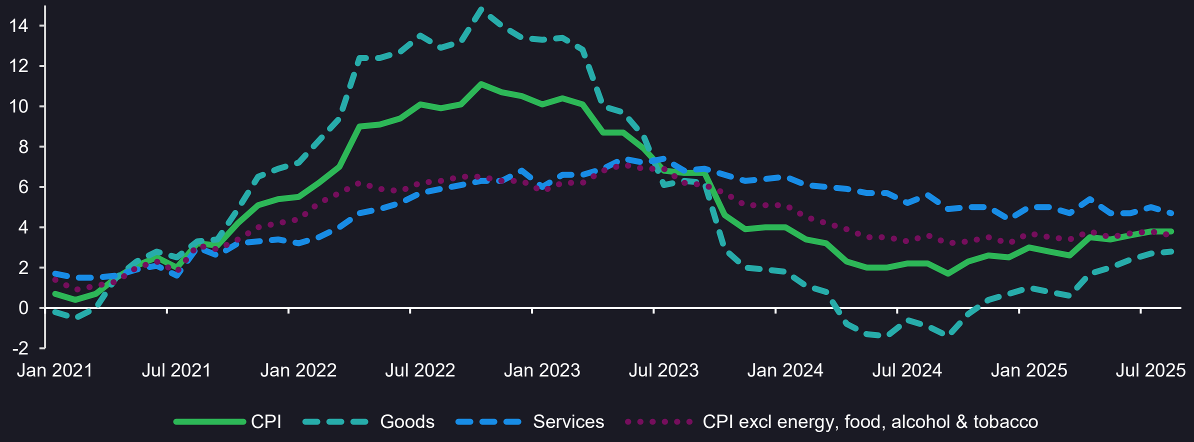
UK GDP Growth (q/q, %, 2025 Q1 - 2026 Q4 F)



UK: 30Y Government Bond Yield (UK vs G7, %, 2020 - 2025)



UK: CPI goods, services and core annual inflation rates
(%, Jan 2021 - Aug 2025)

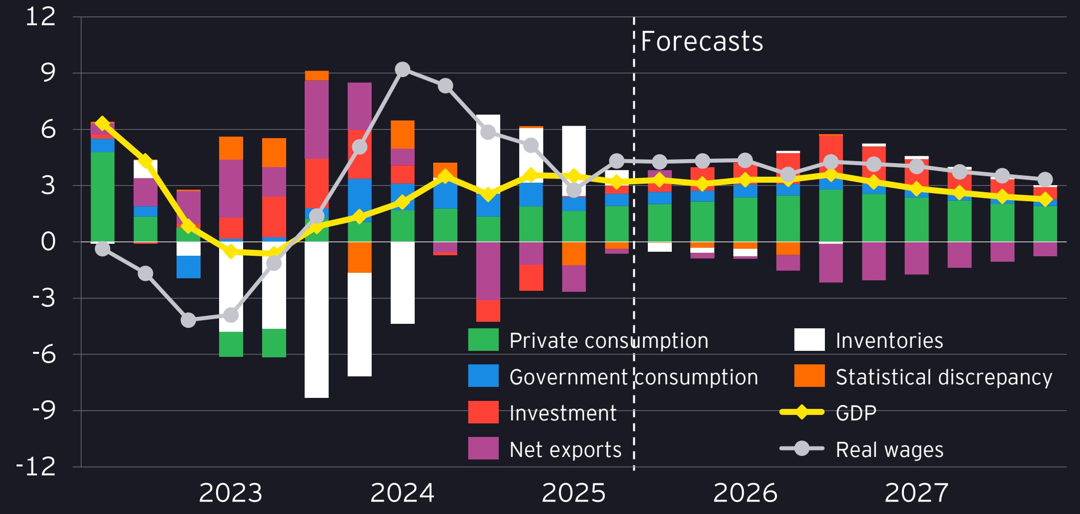


- **The UK outperformed expectations in Q2, although the outlook for 2025 remains subdued.** While leading indicators such as PMIs and business confidence measures remain in positive territory, rising unemployment and higher-than-expected inflation are likely to weigh on growth in Q3-Q4. These headwinds, combined with the ongoing impact of trade tariffs, should keep growth soft through 2026, with a moderate recovery expected in 2027.
- **Consumer price inflation (CPI) is expected to rise to around 4% later this year and remain above target well into 2026.** Domestic price pressures are proving persistent. Annual changes in regulated utilities (energy, water, telecoms) contributed to rising prices in April and have remained elevated as these regulated costs are priced for the year. Firms are also facing elevated labour costs following increases in the National Living Wage (NLW) and employers' National Insurance Contributions (NICs), despite a cooling labour market. We anticipate inflation will rise to 4% mark later this year, and remain elevated for most of 2026, only falling back to near the 2% target towards the end of next year.
- **Further Interest rates reductions may be delayed until 2026**, as persistent inflation poses a risk to the rate-cutting cycle. Given the latest market-implied path and cautious signals from the Bank of England's Monetary Policy Committee, we may see a slower pace of easing than previously forecast. While our baseline assumes another rate cut in November, the chances of that happening are finely balanced. Overall, we anticipate two additional cuts, bringing the Bank Rate down to 3.5% by mid-2026 at the latest.
- **UK Businesses are hiring more cautiously rather than engaging in large-scale layoffs, reflecting cost pressures** from higher NICs and the NLW. These factors have contributed to a decline in total employment, particularly in lower-wage sectors. Firms are relying on price increases and hiring freezes, rather than redundancies, resulting in a gradual cooling of the labour market. However, a sharper rise in unemployment could signal the onset of a broader downturn.
- **The UK's 30Y gilt yield is now the highest in the G7, reflecting growing investor concern over public finances. Structural factors are also driving borrowing costs higher:** the BoE has been pursuing a faster pace of quantitative tightening than the ECB or the Federal Reserve. This is exerting more pressure on the UK Gilt market to absorb supply at a time when the HM Treasury plans larger issuances in the coming years. Meanwhile, the winding down of private defined-benefit (DB) pension schemes, traditionally key buyers of long-term gilts, means a previous source of reliable demand is now disappearing.
- **A weaker growth outlook combined with a higher borrowing costs suggests that tax increases or spending cuts may be unavoidable in the upcoming November Budget.** The government's current tax and spending plans leave little fiscal room for maneuver, while a deteriorating global trading environment and weaker outlook have eroded what limited headroom existed. As a result, additional tax increases, spending cuts, or adjustments to fiscal rules now appear increasingly likely ahead of November.

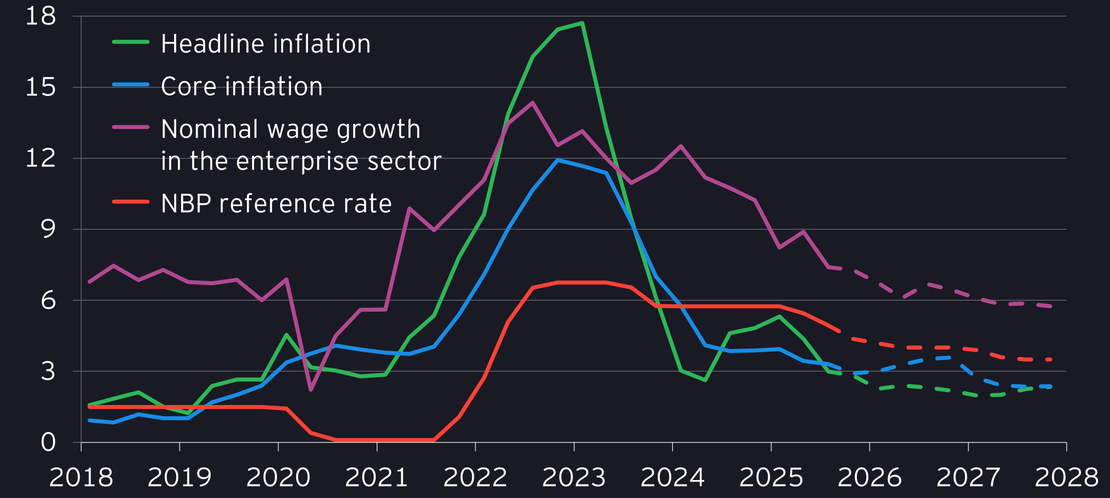
Source: Haver Analytics; Refinitiv; EY ITEM Club, EY analysis, ONS.

Poland: GDP is expected to continue growing at 3-3.5% y/y through the end of 2026, while inflation and interest rates are anticipated to decline. However, ongoing political tensions are complicating fiscal planning

Decomposition of y/y GDP growth (in percentage points)



Inflation, wages, and interest rates (in percentage)



- **The Polish economy maintained a steady growth pace in the first half of 2025, driven by consumer spending and fiscal policy.** In chain-linked volume terms, GDP grew by 0.7-0.8% q/q and 3.2-3.5% y/y, broadly in line with 2024. Private consumption was the main growth contributor, expanding by 3.0-3.4% y/y, supported by rising real wages and improving consumer confidence. Government consumption moderated from over 6% last year to 3.3-3.7% y/y, reflecting more measured public sector wage increases, though it continued to support growth. Investment began to recover after contracting in late 2024 but remained subdued despite military spending and inflows from the EU Recovery Fund. Exports increased modestly—below 2%--amid sluggish external demand and reduced competitiveness due to increased labor costs and strong PLN.
- **Looking ahead, we expect GDP growth to remain in the 3.0-3.5% range through 2026.** Domestic demand may strengthen with the continued disbursement of EU Recovery Fund resources, but exports are likely to underperform due to US tariffs and competitiveness challenges. Stronger domestic demand is also expected to increase imports, limiting the net contribution to overall growth.
- **Inflationary pressures have eased**, with a sharp decline in July as regulated electricity price hikes fell out of calculation. Core inflation dropped to 3.3% in Q3, supported by slowing wage growth and a stronger zloty (PLN). Food inflation also moderated from 6.1% in Q1 to 4.2% in September. **We expect further deceleration in food inflation and falling energy prices, leading to a decline in headline inflation to 2.3% in 2026.**
- **Monetary policy has shifted toward easing,** with the Monetary Policy Council lowering the NBP reference rate by 125 basis points, to 4.50%, between May and October. We expect two additional cuts, bringing the rate to 4.0% by early 2026. As core inflation is likely to reaccelerate in 2026 due to strong domestic demand, we anticipate a pause in rate cuts for the remainder of 2026, followed by a further 50 basis points reduction in 2027 as the economy cools.
- **The fiscal outlook has deteriorated.** The general government deficit is now expected to reach 6.5-7.0% of GDP in 2025-26. Given the current political climate (marked by tensions between the government and the newly elected president) and the upcoming 2027 parliamentary elections, significant fiscal consolidation before 2028 appears unlikely, with ESA government debt projected to exceed 70% of GDP by that time.

Source: Oxford Economics, EY EAT forecast.
Notes: In the bottom chart, solid lines represent historical data, and dashed lines are the EY forecasts.

Summary: GDP and CPI forecasts (% y/y)

GDP					
Location	2024	2025 F	2026 F	2027 F	2028 F
Euro area	0.8	1.3	1.1	1.6	1.8
France	1.1	0.5	1.0	1.4	1.7
Germany	-0.5	0.2	0.7	1.7	2.1
Ireland	2.5	11.8	-2.1	1.3	3.1
Italy	0.5	0.5	0.7	1.0	1.1
Netherlands	1.1	1.4	1.4	1.8	1.5
Poland	2.9	3.3	3.4	2.5	2.0
Spain	3.2	2.8	2.4	1.6	1.6
UK	1.1	1.2	1.0	1.5	1.5

CPI					
Location	2024	2025 F	2026 F	2027 F	2028 F
Euro area	2.4	2.1	1.8	2.1	1.8
France	2.0	1.0	1.7	1.8	1.7
Germany	2.3	2.1	1.6	2.2	2.2
Ireland	2.1	2.1	1.7	1.7	1.5
Italy	1.0	1.9	1.9	2.0	1.1
Netherlands	3.3	3.1	2.2	2.2	2.2
Poland	3.8	3.9	2.3	2.1	2.1
Spain	2.8	2.5	1.5	1.7	1.7
UK	2.5	3.3	2.4	2.0	2.0

Source: EY Forecasts

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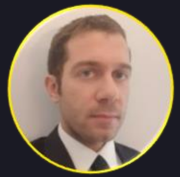

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Forecast and country-specific outlook sources

- Forecasts for most economies have been prepared by EY Economic Analysis Team (EY EAT) using an amended version of the Oxford Global Economic Model (GEM)
  - EY EAT have adjusted GEM equations, assumptions and data inputs
- Forecasts for the US have been prepared by EY-Parthenon Macroeconomics Team
  - Contact: https://www.ey.com/en_us/strategy/macroeconomics
- Forecasts for the UK have been prepared by EY ITEM Club
  - Contact: parnold@uk.ey.com
- Forecasts for Italy in 2025-26 have been prepared by EY Italy
  - Contact: alberto.caruso@it.ey.com
- Country-specific outlooks for Germany, Italy, Spain, the UK have been provided by economists listed on slide 63.

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