EUROPEAN CENTRAL BANK
EUROSYSTEM

The ECB Survey of Professional Forecasters

Second quarter of 2025

April 2025

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Summary

In the ECB's Survey of Professional Forecasters (SPF) for the second quarter of 2025,[1] expectations for headline HICP inflation were revised slightly upwards for 2025 and 2026 but remained unchanged for 2027 and the longer-term. At the same time, core inflation expectations, as measured by the HICP excluding energy and food (HICPX), were revised up slightly for all horizons. Headline inflation was expected to decline from 2.4% in 2024 to 2.2% in 2025 and 2.0% in 2026 and 2027. These expectations represent a 0.1 percentage point upward revision for 2025 and 2026 but no change for 2027. Longer-term HICP inflation expectations (for 2029) were unchanged at 2.0%. Expectations for HICPX were revised up by 0.1 percentage points for all horizons, including the longer term (to 2.0%). Respondents continued to expect a gradual strengthening of real GDP growth – from 0.9% in 2025 to 1.2% and 1.4% in 2026 and 2027, respectively. These figures were revised downwards by 0.1 percentage points for both 2025 and 2026, while expectations for growth in 2027 were revised upwards. Longer-term GDP growth expectations were unchanged at 1.3%. The trajectory of respondents' unemployment rate expectations was revised down slightly across all horizons.

[1] The survey was conducted between 1 and 4 April 2025 and 54 responses were received. All participants were provided with the same set of the latest available data for annual HICP inflation (March 2025: overall inflation, 2.2%; underlying inflation, 2.4%), annual GDP growth (fourth quarter of 2024: 1.2%) and unemployment (February 2025: 6.1%). This report was drafted on the basis of data available on 11 April 2025.

Table 1

Results of the SPF in comparison with other expectations and projections

(annual percentage changes, unless otherwise indicated)

	Survey horizon			
	2025	2026	2027	Longer term[1]
HICP inflation				
Q2 2025 SPF	2.2	2.0	2.0	2.0
Previous SPF (Q1 2025)	2.1	1.9	2.0	2.0
ECB staff macroeconomic projections (March 2025)	2.3	1.9	2.0	-
Consensus Economics (April 2025)	2.2	1.9	1.9	2.0
Memo: HICP inflation excluding energy, food, alcohol and tobacco				
Q2 2025 SPF	2.3	2.1	2.1	2.0
Previous SPF (Q1 2025)	2.2	2.0	2.0	1.9
ECB staff macroeconomic projections (March 2025)	2.2	2.0	1.9	-
Consensus Economics (April 2025)	2.3	2.0	-	-
Real GDP growth				
Q2 2025 SPF	0.9	1.2	1.4	1.3
Previous SPF (Q1 2025)	1.0	1.3	1.3	1.3
ECB staff macroeconomic projections (March 2025)	0.9	1.2	1.3	-
Consensus Economics (April 2025)	0.9	1.2	1.5	1.4
Unemployment rate[2]				
Q2 2025 SPF	6.3	6.3	6.3	6.2
Previous SPF (Q1 2025)	6.5	6.4	6.3	6.3
ECB staff macroeconomic projections (March 2025)	6.3	6.3	6.2	-
Consensus Economics (April 2025)	6.4	6.4	-	-

1) Longer-term expectations refer to 2029.
2) As a percentage of the labour force.

Box 1

Impact of tariffs and defence spending – baseline expectations and risk assessment

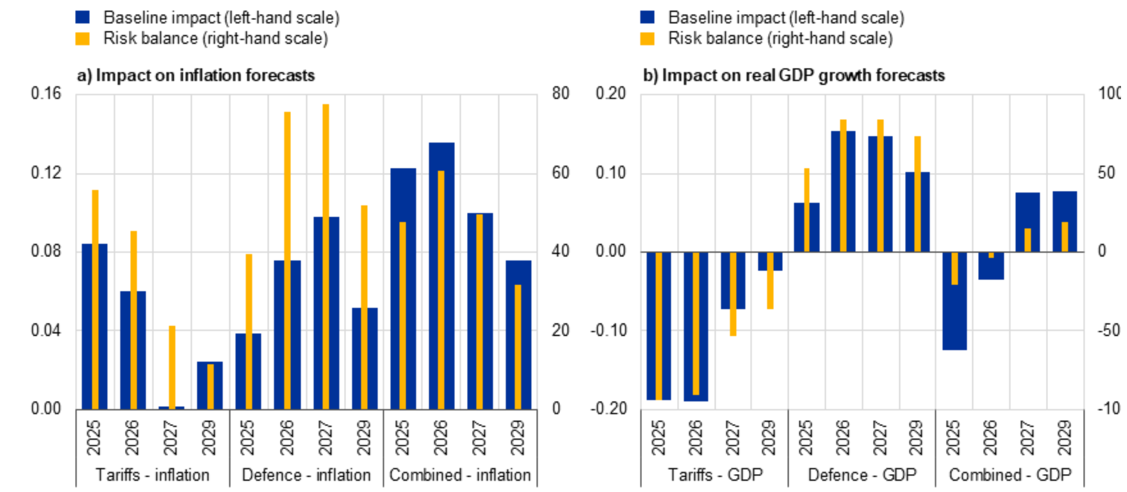
In this round, SPF respondents were asked two special questions on (i) tariffs and protectionism and (ii) defence and fiscal spending. They were asked to state the impact of these factors on their baseline expectations for inflation and real GDP, and whether they represented an upside, balanced or downside risk for each of the calendar year horizons (2025, 2026, 2027 and 2029).[2] The response rate to these special questions was over 70%. The bulk of answers were received after the initial tariff announcement by the US Administration on 2 April, although the cut-off date came before the 9 April pause announcement.

In terms of baseline inflation expectations, tariffs were expected to have a small upward impact in the nearer term (2025 and 2026), while defence spending was expected to have a similar impact in the medium term (2026 and 2027) (see **Chart A**, panel a, blue columns). The two factors were expected to have a combined impact of around 0.1 percentage points for each of the calendar year horizons.

Chart A

Estimated impact of tariffs and defence spending on inflation and real GDP growth – baseline expectations and risk assessment

(left-hand scale: percentage points; right-hand scale: percentages)



Notes: Risk balance is calculated as the net percentage of respondents indicating upward and downward risks. For the combined impact, the baseline is the sum of the two factors (tariffs and defence spending), while the risk balance is the average of the two factors.

In terms of baseline real GDP growth expectations, tariffs were expected to have a downward impact in the nearer term (2025 and 2026), while defence spending was expected to have an upward impact in the medium term (2026 and 2027) (see **Chart A**, panel b, blue columns). Combined, the two factors were expected to have a small downward impact on expected

2 More specifically, they were asked: (i) "What impact have you factored in from trade protectionism / tariffs?" and (ii) "What impact have you factored in from defence / fiscal spending measures?". Regarding the impact of each factor on their baseline expectations, respondents were asked to choose one of seven responses, ranging from "- - -" (≤ -0.4 percentage points) to "+++" (≥ 0.4 percentage points). Regarding the impact on their risk assessments, respondents were asked to select "up", "balanced" or "down" depending on whether they considered each factor to represent an upside, balanced or downside risk to their baseline expectations.

GDP growth in 2025, a broadly neutral impact in 2026 and a small upward impact in 2027 and 2029.

Respondents' risk assessments for these factors largely corresponded to the direction of the impact on their baseline expectations. This suggests that respondents may have been cautious when incorporating these factors into their baselines and expressed this caution by accounting for risks in the same direction. The directional alignment of baseline impacts and risk assessment was particularly strong for GDP growth (see **Chart A**, panel b, yellow columns). Respondents saw downside risks (beyond the baseline assessment) to GDP growth from tariffs, but upside risks from defence spending. The direction of the combined risk assessment matched that of the combined impact on the baseline (i.e. slightly down for 2025, neutral for 2026 and slightly up for 2027 and 2029). For inflation (see **Chart A**, panel a, yellow columns), risks were generally assessed to be to the upside.

Respondents also provided qualitative information on their quantitative estimates. While there was a general consensus that tariffs would exert some upward pressure on inflation, there was considerable uncertainty about the extent of this pressure, as it would depend significantly on the coverage and magnitude of potential retaliatory measures by the EU. In terms of measures known at the time the SPF was conducted (i.e. with tariffs imposed on the EU but no retaliatory measures), some viewed the possible impact on inflation as neutral or even negative – stemming from slower GDP growth, lower energy prices and increased competition from non-US exporters, such as China. The risks to the inflation outlook from tariffs were assessed as significant, stemming from the potential for further escalation in trade tensions and the uncertainty over the EU's response. In contrast, the estimated impact of tariffs on GDP growth forecasts was predominantly negative, with increased trade barriers expected to dampen economic activity by reducing trade volumes and heightening global uncertainty, as well as by undermining business confidence and investment. The risks to GDP growth forecasts from tariffs were viewed as tilted firmly to the downside, as the potential for prolonged trade disputes and disruptions to global supply chains could lead to more persistent economic challenges and a slower than expected recovery. Defence and fiscal spending were generally expected to have an upward impact on inflation. Respondents noted that increased spending in infrastructure and defence could lead to higher inflation rates by fostering economic activity and potentially straining supply capacity in specific sectors such as construction and military equipment. However, the extent of this impact was subject to considerable uncertainty, since the timing and scale of these fiscal measures remain unclear, as does the economy's capacity to absorb them without overheating. Some respondents also noted that increased military spending might not really feed through to consumer prices. As with inflation, respondents believed that defence and fiscal spending would have a positive effect on GDP growth. Some expressed the hope that increased fiscal spending on infrastructure projects in Germany would provide a significant boost to growth by enhancing public investment and creating demand across various sectors. Risks from defence spending measures were primarily associated with these measures being either insufficiently targeted or delayed.

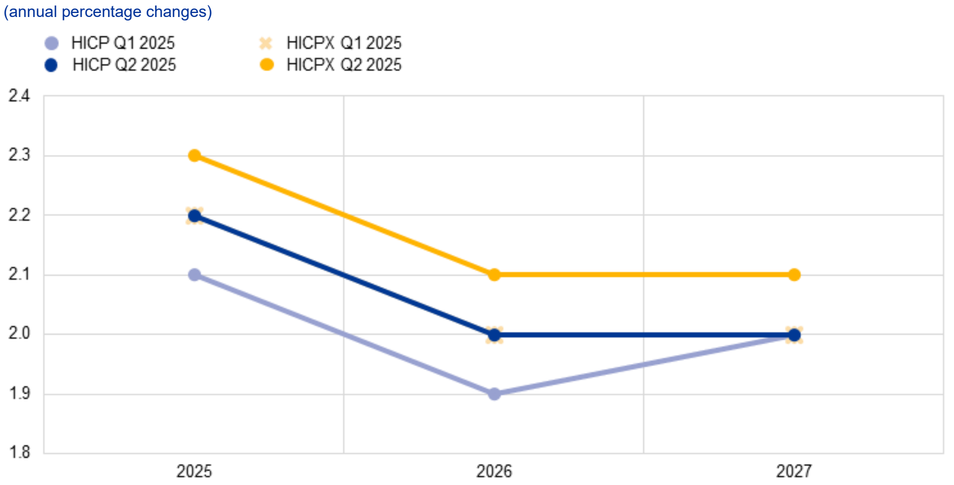
Overall, the combined impact of these two factors accounts for the revisions to expectations for real GDP growth and inflation.

1 Headline HICP inflation expectations revised slightly upwards

SPF respondents' headline inflation expectations were revised upwards for 2025 and 2026 but were largely unchanged thereafter. HICP inflation was expected to decline from the 2.4% recorded in 2024 to 2.2% in 2025 and 2.0% in 2026. These expectations were revised up by 0.1 percentage points for both years. Inflation expectations for 2027 remained at 2.0% (see **Chart 1**). Tariffs and defence/fiscal spending were likely the main factors driving the small upward revisions to the inflation outlook, partly counterbalanced by expectations of lower energy price dynamics. Compared with the March 2025 ECB staff macroeconomic projections, inflation expectations in this SPF round were lower by 0.1 percentage points for 2025, higher by 0.1 percentage point for 2026 and the same for 2027 (see **Table 1**).

Chart 1

Inflation expectations: overall HICP inflation and HICPX inflation



HICPX expectations were revised up by 0.1 percentage points for 2025-27. For 2025, 2026 and 2027 they stood at 2.3%, 2.1% and 2.1% respectively. Respondents noted that, while they continued to expect HICPX inflation to moderate, they had revised their forecasts up slightly, owing primarily to the expectation of higher defence and fiscal spending (and, to a lesser extent, the impact of tariffs). Compared with the March 2025 ECB staff macroeconomic projections, SPF forecasts for HICPX were 0.1 percentage points higher for 2025 and 2026 and 0.2 percentage points higher for 2027 (see **Table 1**).

Having decreased in recent rounds, uncertainty surrounding the shorter- and medium-term inflation outlook increased this round, while the balance of risks

remained tilted somewhat to the upside.[3,4] Having eased substantially since the peak of inflation observed around the turn of 2022-2023, quantitative indicators of uncertainty surrounding the shorter- and medium-term inflation outlook increased this round and stood above levels observed prior to the invasion of Ukraine. The increase in aggregate uncertainty stems from both higher disagreement between respondents and higher individual uncertainty. Aggregate probability distributions for the calendar years 2025, 2026 and 2027 are presented in **Chart 2**. According to the qualitative remarks, the primary sources of uncertainty and risk to the inflation forecasts are tariffs and defence/fiscal spending, although geopolitical tensions remained an upside risk factor. A number of forecasters also highlighted the potential impact of extreme weather factors, which could disrupt food and energy prices and cause inflation volatility.

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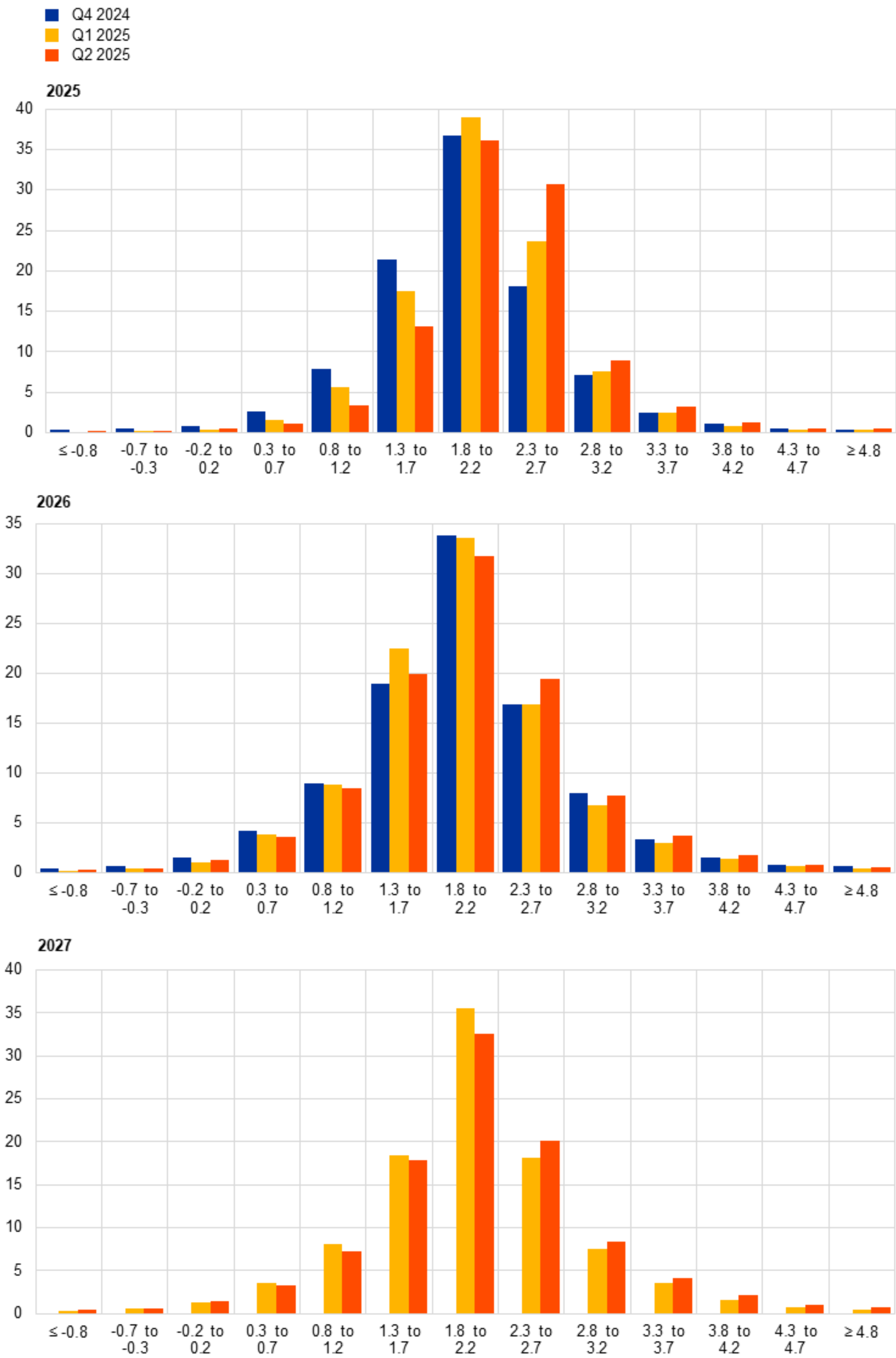
3 The width of the reported probability distributions indicates the perceived degree of overall uncertainty, whereas the asymmetry of the distributions indicates whether that uncertainty is more concentrated on higher or lower outturns, i.e. it measures the perceived balance of risks. As regards uncertainty,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

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

Chart 2

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

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



Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of inflation outcomes in 2025, 2026 and 2027 (expectations for 2027 were not surveyed in the fourth quarter of 2024 round).

2 Longer-term inflation expectations unchanged at 2.0%

Longer-term inflation expectations (for 2029) were unchanged at 2.0%. However, there was a small uptick at the second decimal (see **Chart 3**). Of a balanced panel of 38 respondents who also replied in the first quarter of 2025 survey round, around two-thirds left their long-term inflation expectations unchanged, while six respondents revised them up and six revised them down. The modal and median values of the distribution of individual point forecasts were both unchanged at 2.0%, and the shape of the cross-sectional distribution was also largely unaltered (see **Chart 4**). For the sixth consecutive round, more than half of the respondents reported longer-term inflation expectations of 2.0%. Compared to the previous round, the histogram of individual point forecasts was largely similar, with more than three-quarters of participants reporting expectations between 1.9 and 2.1%.

Chart 3

Longer-term inflation expectations

(annual percentage changes)

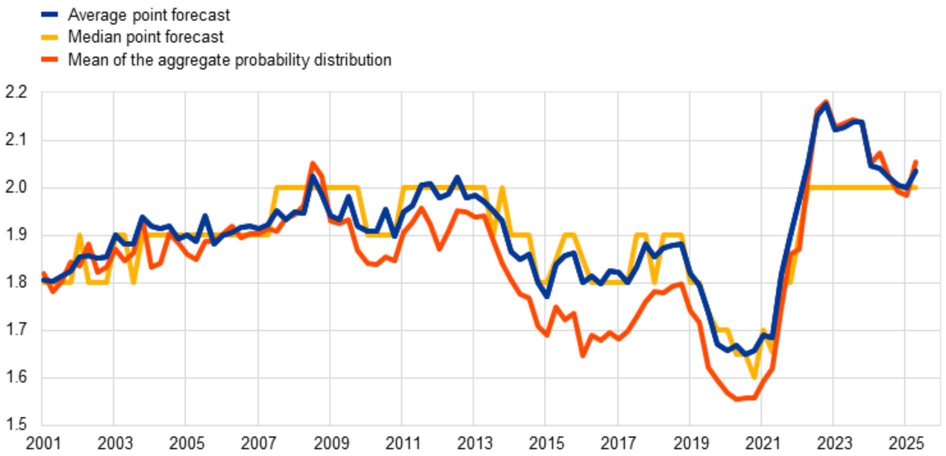
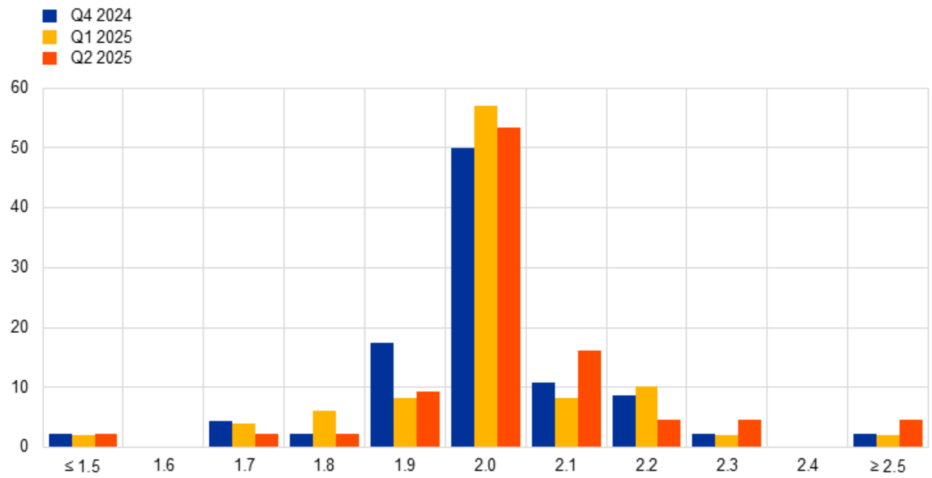


Chart 4

Distribution of point expectations for HICP inflation in the longer term

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



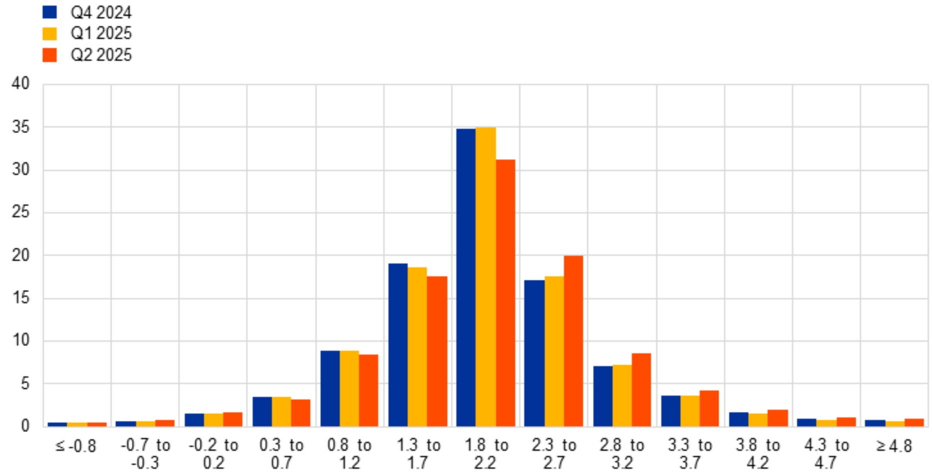
Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the spread of point forecast responses. Longer-term expectations refer to 2029.

Uncertainty surrounding longer-term inflation expectations increased, while the balance of risks remained broadly balanced. Aggregate uncertainty increased in this round, reflecting both higher disagreement regarding point forecasts and higher individual uncertainty. While the balance of risk indicator increased, it remained close to being broadly balanced. The probability associated with longer-term inflation being in the range of 1.8-2.2% was slightly above 30% (see **Chart 5**).

Chart 5

Aggregate probability distribution for longer-term inflation expectations

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



Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of inflation outcomes in the longer term (2029).

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

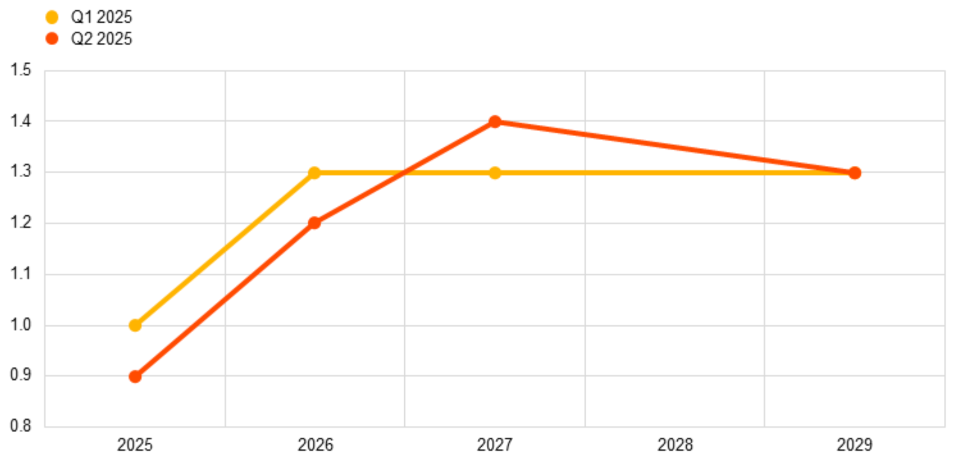
3 Real GDP growth expectations weaker for 2025-26 but stronger for 2027

GDP growth expectations stood at 0.9% for 2025, 1.2% for 2026 and 1.4% for 2027 (see Chart 6). Compared with the previous round, these figures imply slight downward revisions of 0.1 percentage points for both 2025 and 2026, but a more optimistic outlook for 2027. Overall, these calendar year figures for 2025 and 2026 are in line with the projections from the March 2025 ECB staff macroeconomic projection exercise, whereas they imply 0.1 percentage point higher growth in 2027. The longer-term growth expectations (for 2029) were unchanged at 1.3%.

Chart 6

Expectations for real GDP growth

(annual percentage changes)

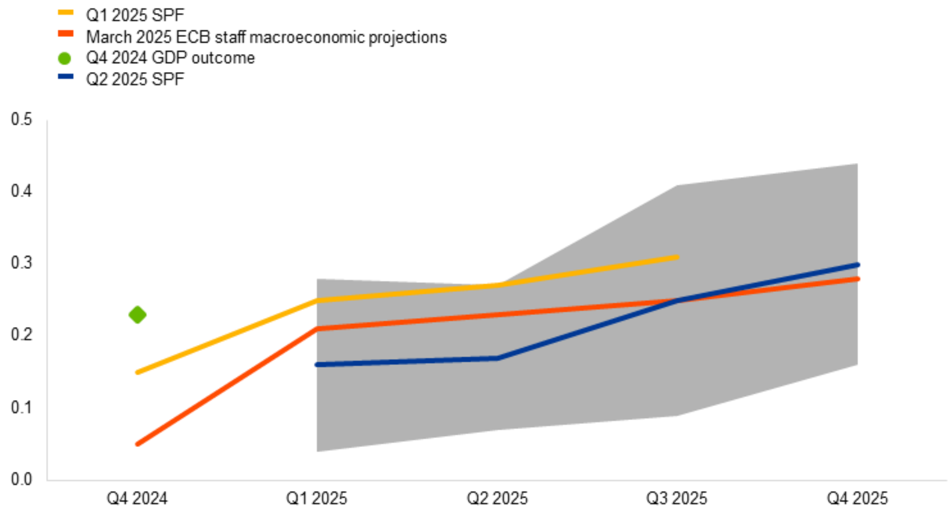


The downward revisions to euro area growth expectations for 2025 and 2026, as well as the expectation of stronger momentum in 2027, were likely driven by the combined effects of tariffs and looser fiscal policy expectations. Overall, after the stronger than expected growth rate in the fourth quarter of 2024, respondents expected a weaker quarterly profile compared with the previous SPF round, although the dynamics still point to a gradual strengthening of economic activity during the course of 2025 (see **Chart 7**). Expectations for quarter-on-quarter growth were very slightly below those in the March 2025 ECB staff macroeconomic projections for the first and second quarters of 2025 but largely the same for the third and fourth quarters.

Chart 7

Expected profile of quarter-on-quarter GDP growth

(quarter-on-quarter percentage changes)



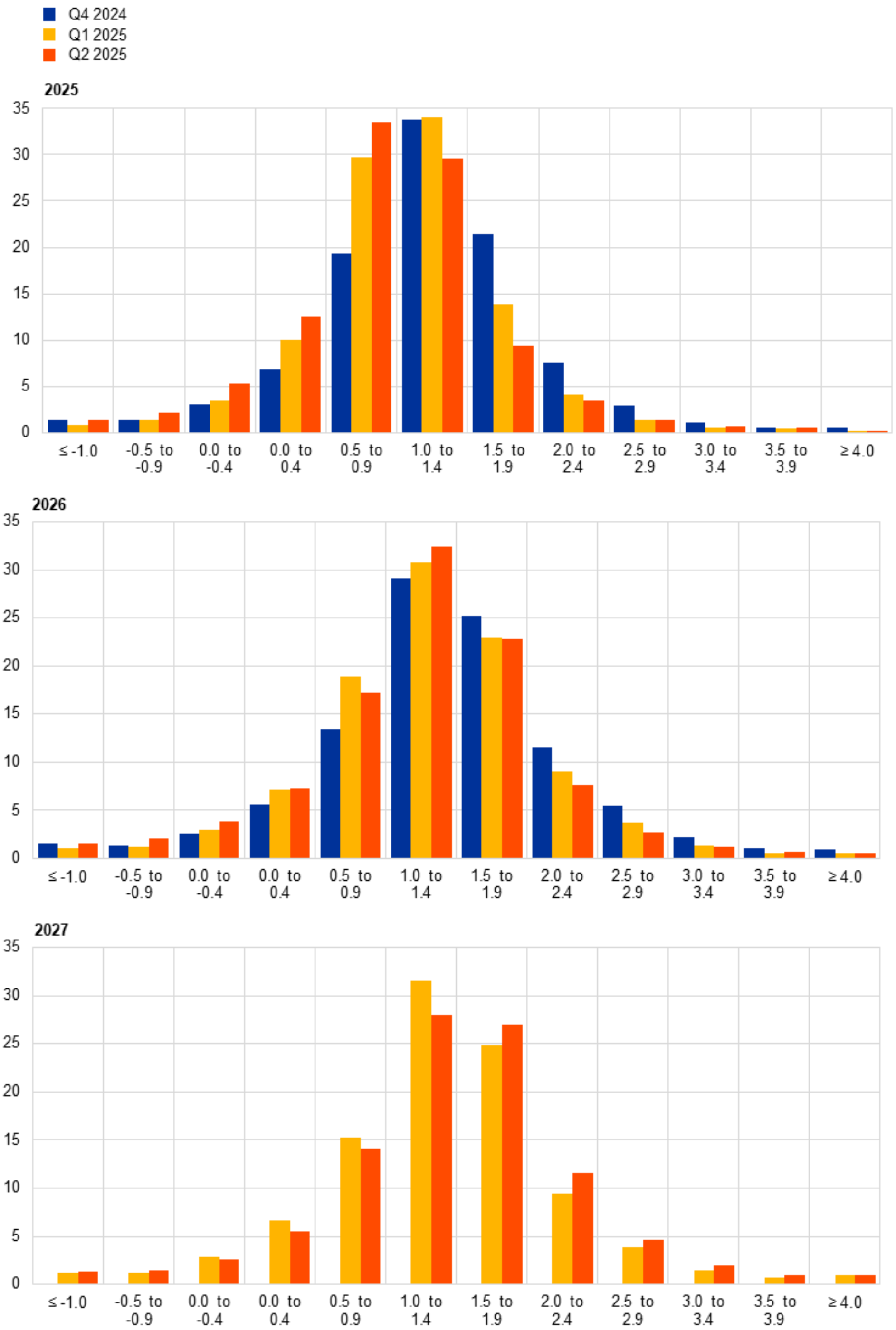
Note: The grey area indicates one standard deviation (of individual expectations) around average SPF expectations.

Uncertainty surrounding the growth outlook increased for both the two-year and the five-year horizons while the balance of risks showed mixed tendencies (see Chart 8 and Chart 9). Aggregate uncertainty increased but while it is lower than before Russia's invasion of Ukraine for both these horizons – especially two years ahead – it is still above pre-pandemic levels. While the balance of risks for the two-year horizon remained negative for the third consecutive quarter, the balance of risks for the longer term remained positive .

Chart 8

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

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

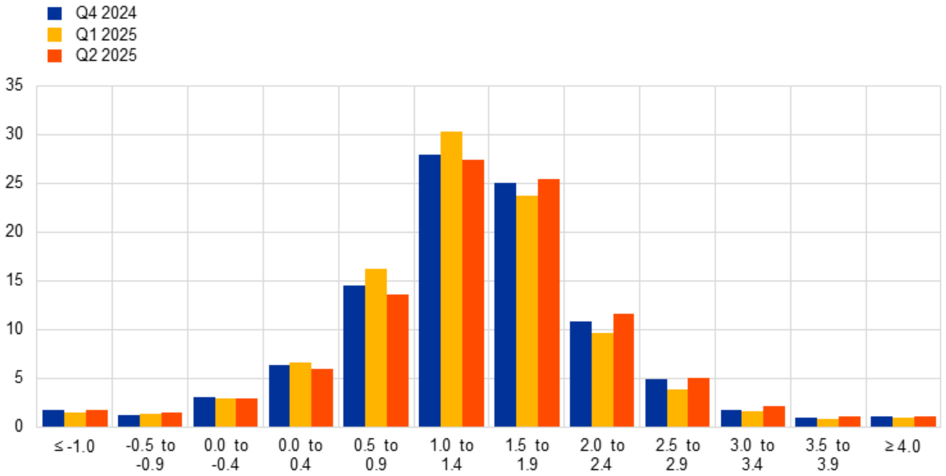


Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of real GDP growth outcomes in 2025, 2026 and 2027 (expectations for 2027 were not surveyed in the fourth quarter of 2024 round).

Chart 9

Aggregate probability distributions for longer-term GDP growth expectations

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



Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of real GDP growth outcomes in the longer term (2029).

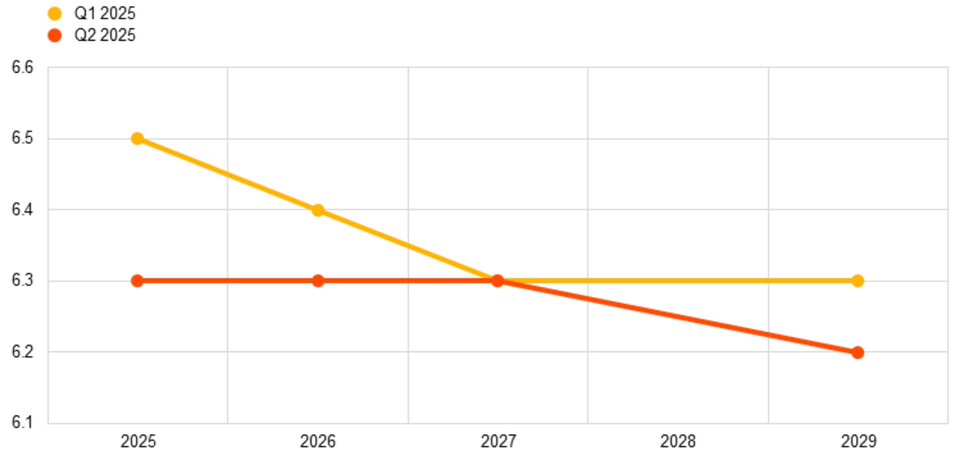
4 Unemployment rate expectations broadly unchanged

In the second quarter of 2025 survey round, respondents expected the unemployment rate to be 6.3% for 2025, 2026, and 2027. The expected trajectory of the unemployment rate was revised down for 2025 and 2026 compared with the previous survey round by 0.2 and 0.1 percentage points respectively (see **Chart 10**), while longer-term expectations were revised down slightly to 6.2%. Respondents emphasised that euro area labour markets continue to be robust. They expected upward pressures on unemployment stemming from US tariffs to be offset by extra defence spending and expansionary fiscal policy in Germany. However, they noted that, while aggregate unemployment figures may remain broadly stable, there could be structural changes in the labour market as workers transition from export-oriented sectors to more domestic sectors, such as those related to the defence industry.

Chart 10

Expectations for the unemployment rate

(percentages of the labour force)

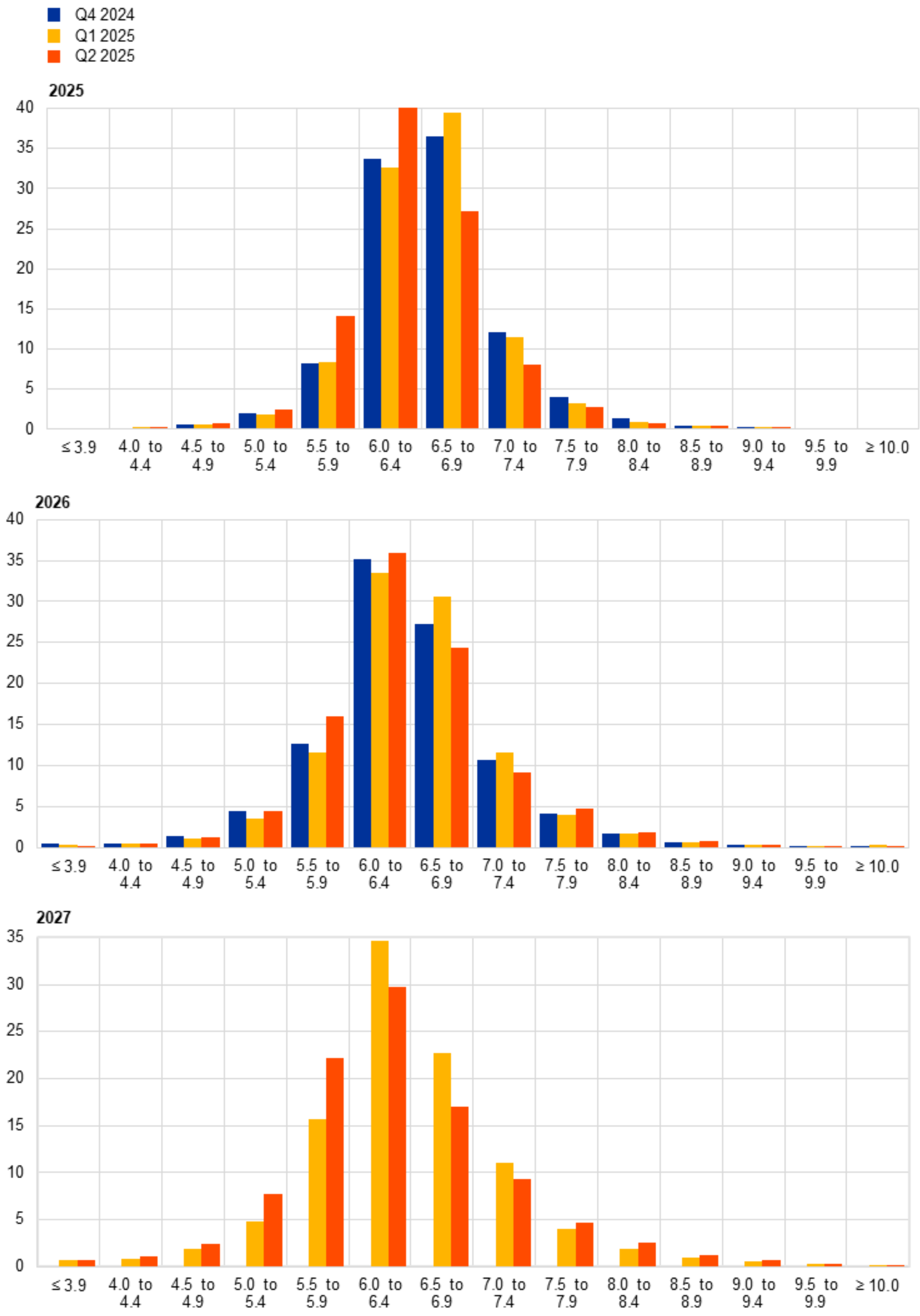


Compared with the previous survey round, the level of uncertainty surrounding unemployment rate expectations increased. Aggregate uncertainty, as measured by the standard deviation of the aggregate distributions, increased slightly for 2025 to 2027 (see **Chart 11**) as well as for the longer term (see **Chart 12**). Respondents noted that business surveys still indicate resilient labour markets, as reflected in better than expected outcomes. However, uncertainty regarding the unemployment outlook has increased, largely owing to recent US trade policy announcements.

Chart 11

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

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

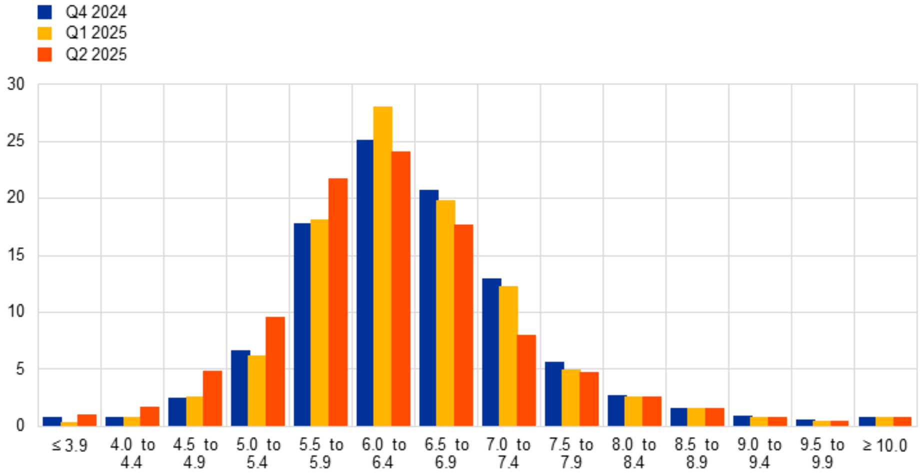


Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of unemployment rate outcomes for 2025, 2026 and 2027 (expectations for 2027 were not surveyed in the fourth quarter of 2024 round).

Chart 12

Aggregate probability distribution for the unemployment rate in the longer term

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



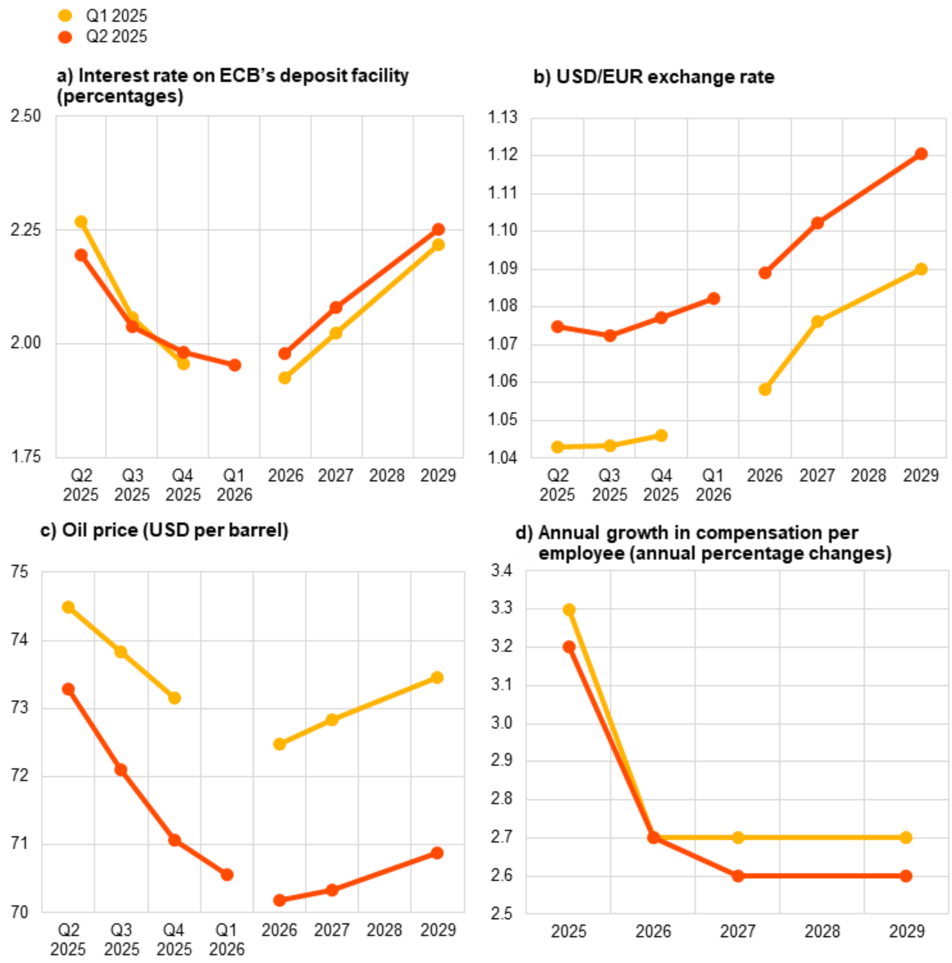
Notes: The SPF asks respondents to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the average probabilities assigned to different ranges of unemployment rate outcomes in the longer term (2029).

5 Expectations for other variables

Forecasters expected the ECB's deposit facility rate (DFR) to fall to around 2.25% in the second quarter of 2025 and to decrease further, to around 2.00%, by the third quarter of 2025 and into 2026, before increasing to 2.25%, on average, by 2029. They expected the euro to appreciate slightly against the US dollar, from 1.07 in the second quarter of 2025 to 1.09 in 2026 and 1.12 by 2029, and oil prices to decline from around USD 73 per barrel in the second quarter of 2025 to around USD 70 from 2026 through to 2029. They also expected nominal wages to increase by 3.2% in 2025, 2.7% in 2026 and 2.6% in 2027 and in the longer term.

Chart 13

Expectations for other variables



Respondents expected the **deposit facility rate** to fall (from 2.50% currently) to around 2.25% in the second quarter of 2025 and further to 2.00% in the third quarter, before remaining around 2.00% in 2026 and 2027. Compared to the previous round, expectations were broadly unchanged (see **Chart 13, panel a**). In the previous round, respondents had for the first time been asked to provide their expectations for the longer term (i.e. five years ahead, for 2029). In this round, the average expectation for 2029 was broadly unchanged at around 2.25%.

On average, the **USD/EUR exchange rate** was expected to rise from 1.07 in the second quarter of 2025 to 1.09 in 2026, 1.10 in 2027 and 1.12 in 2029 (see **Chart 13, panel b**). Expectations have shifted slightly upwards compared with the previous round and still point to future euro appreciation over the survey horizon.

Compared with the previous survey round, the expected level of **US dollar-denominated oil prices** was revised downwards over the entire survey horizon by around USD 2 per barrel (see **Chart 13, panel c**).

Expectations for annual growth in **compensation per employee** were revised down by 0.1 percentage points for 2025, 2027 and the longer term, while there was no change in wage growth expectations for 2026. (see **Chart 13, panel d**).

Annex (chart data)

Excel data for all charts can be downloaded here.

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

PDF ISBN 978-92-899-7099-0, ISSN 2363-3670, doi:10.2866/8864963, QB-01-25-051-EN-N
HTML ISBN 978-92-899-7100-3, ISSN 2363-3670, doi:10.2866/2138678, QB-01-25-051-EN-Q