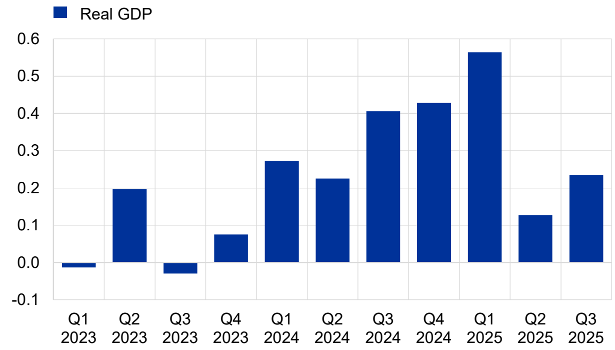
EUROPEAN CENTRAL BANK

Introductory statement in three charts

ECON hearing with the ECB President on 3 December 2025

Real GDP growth

(quarter-on-quarter percentage change)



Source: Eurostat.
Note: The latest observation is for the third quarter of 2025.

Economic activity

The economy grew by 0.2% in the third quarter of 2025, supported by robust domestic demand.

- The services sector continues to expand, boosted by tourism and digital services.
- Manufacturing and exports were held back by higher tariffs, still-heightened uncertainty and a stronger euro.
- The domestic economy is expected to benefit from increased household spending, substantial infrastructure and defence spending and past interest rate cuts underpinning investment. At the same time, the impact of higher tariffs on the global environment is still unfolding.

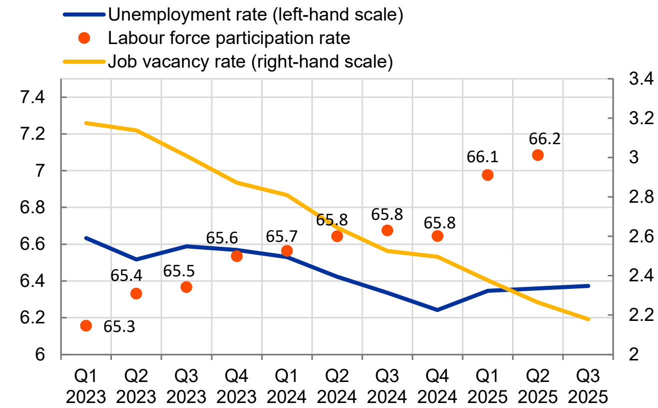
Labour market

The labour market is resilient and more inclusive but demand for labour has cooled.

- Unemployment remained at 6.4% in October, close to its historical low.
- Employment growth has moderated substantially – the year-on-year employment growth rate declined to 0.6% in the first three quarters of 2025, down from 1.5% in 2023 and 0.9% in 2024.
- A decline in the job vacancy rate to 2.2% in the third quarter reflects a continued softening in labour demand.
- The labour market is more inclusive, with the labour force participation rate at its highest level since the introduction of the euro.

Unemployment and job vacancy rate

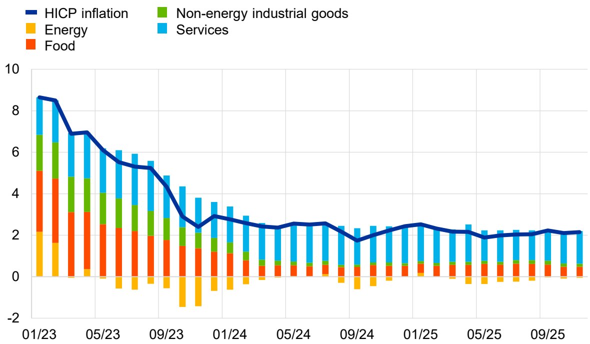
(percentage of labour force; percentages)



Source: Eurostat.

Inflation

(annual percentage changes and percentage point contributions)



Source: Eurostat.
Note: The latest observations are for November 2025 (flash estimate).

Inflation

Inflation remains close to our 2% target.

- According to Eurostat's flash estimate, inflation edged up slightly to 2.2% in November, from 2.1% in October. The increase is mainly due to higher services and energy inflation.
- Inflation excluding energy and food remained at 2.4%.
- Indicators of underlying inflation remain consistent with our 2% medium-term target.
- We expect inflation to stay around our 2% target in the coming months.

WANT TO KNOW MORE?

- **Monetary Policy Statement, ECB Press Conference, 30 October 2025.**

EUROPEAN CENTRAL BANK

Topic 1: Monetary policy stance

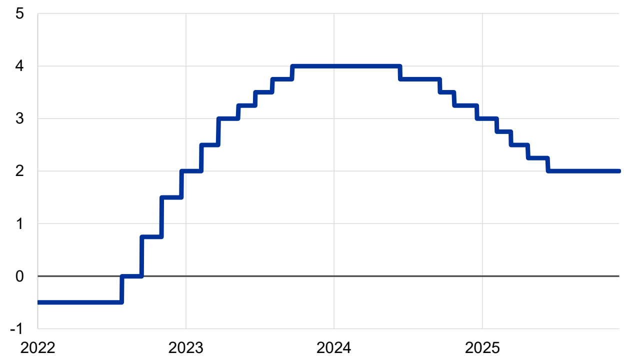
The ECB kept the key interest rates unchanged in October, with the deposit facility rate standing at 2.0%.

- The Governing Council continues to follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance.
- Our interest rate decisions will be based on our assessment of the inflation outlook and the risks surrounding it, as well as the dynamics of underlying inflation and the strength of monetary policy transmission.

We are not pre-committing to a particular rate path.

Deposit facility rate

(percentages)



Source: ECB.
Note: The latest observation is for 3 December 2025.

Topic 2: Instruments in the ECB's toolkit

The effective transmission of our monetary policy stance across the euro area is critical for delivering on the ECB's price stability mandate.

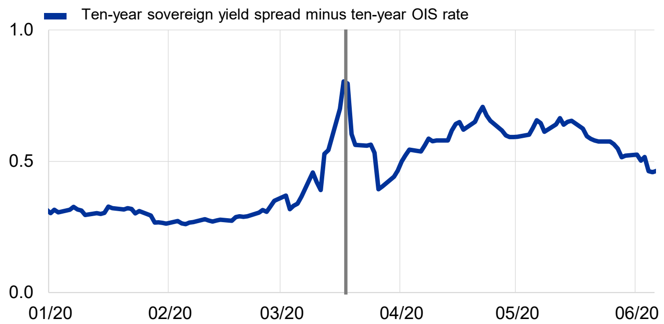
- When the ECB adjusts its policy, its decisions should influence key economic variables in all euro area countries in a broadly consistent way.
- The ECB has developed tools to safeguard the smooth transmission of its monetary policy.

The pandemic emergency purchase programme (PEPP) was launched and used in response to the COVID-19 pandemic shock.

- It supported the transmission of monetary policy and provided an easing of the monetary policy stance to counter serious downside risks to price stability.
- The flexibility to adjust the pace and composition of purchases proved critical in addressing impediments to transmission in specific market segments.

Impact of PEPP announcement

(percentages per annum)



Sources: Bloomberg, Refinitiv and ECB calculations.
Notes: The spread is calculated as a GDP-weighted average of euro area ten-year sovereign yields minus the ten-year overnight index swap (OIS) rate. The vertical line marks the announcement of the PEPP on 18 March 2020. The latest observation is for 5 June 2020.

WANT TO KNOW MORE?

- **The pandemic emergency purchase programme – an initial review**, ***Economic Bulletin***, **Issue 8, ECB, 2022.**