



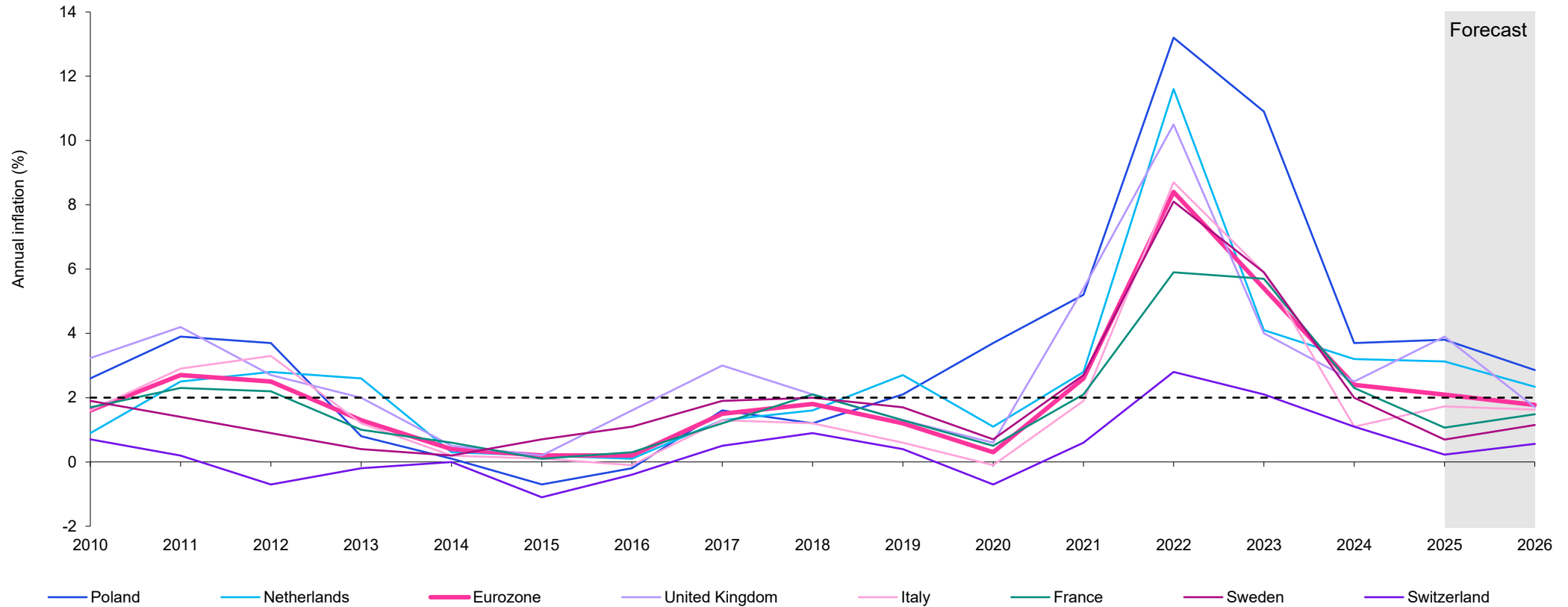
European Economic Outlook

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Inflation nears target, but varies across the region

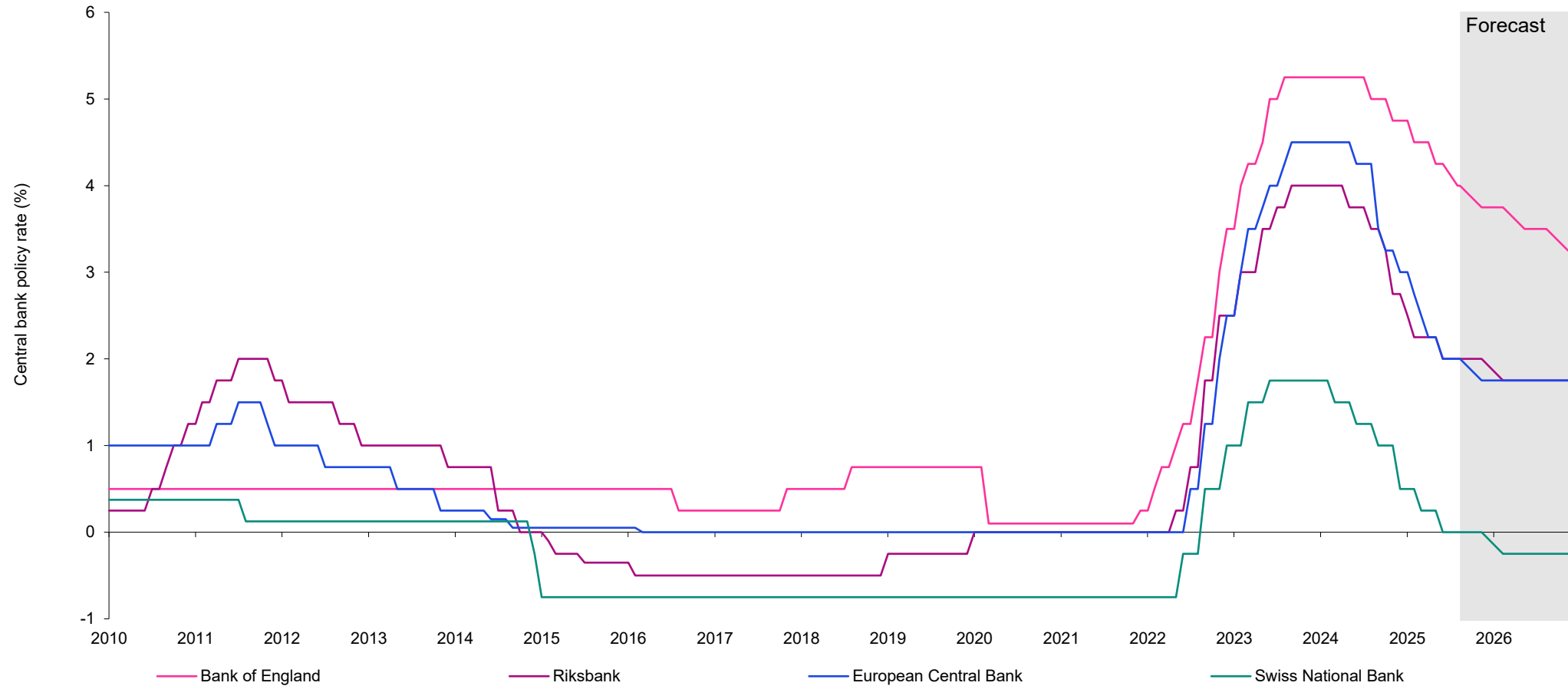


Inflation targets: Eurozone (2%) Sweden (2%), Switzerland (0%-3%), Poland (2.5%), UK (2%)

Source: Eurostat, ONS, FCO, KPMG projections.



Europe's central banks are nearing the end of the rate-cutting cycle



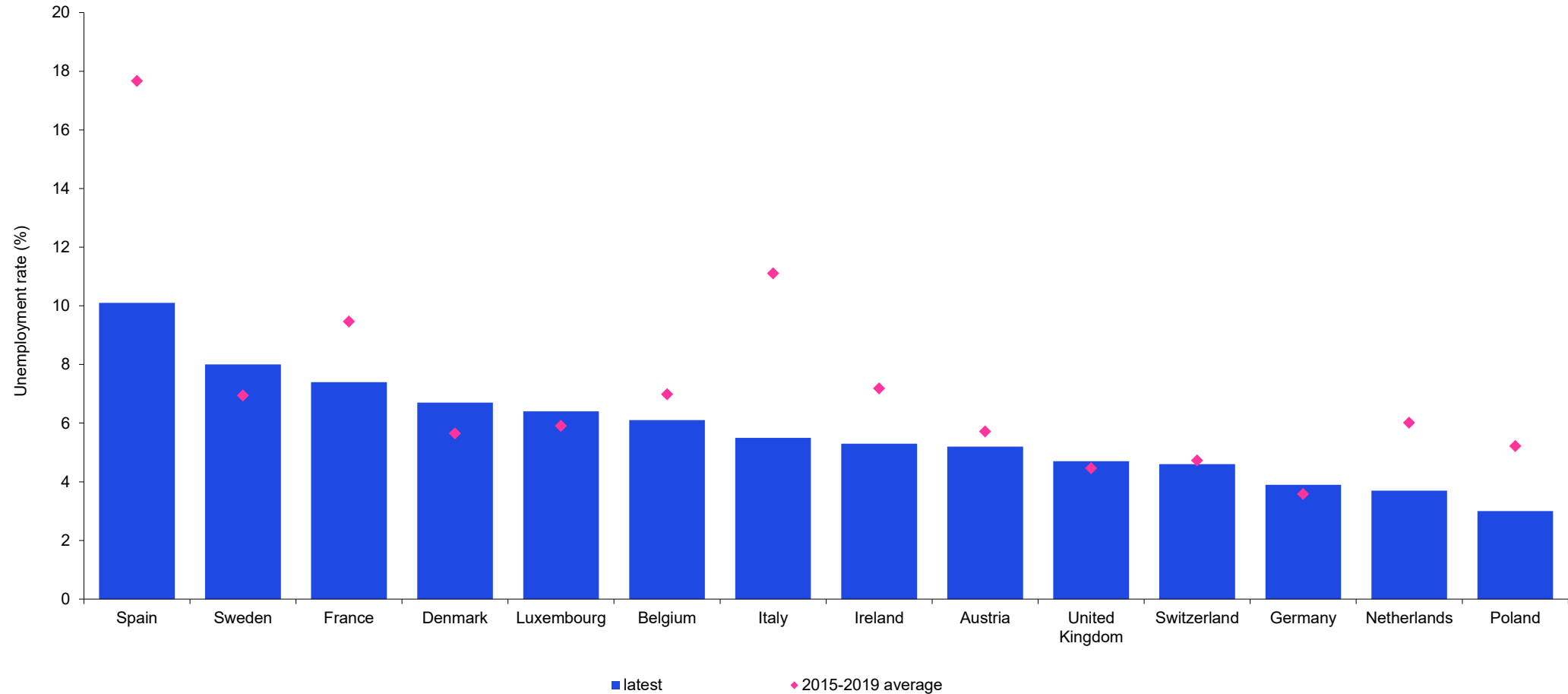
Source: Bank of International Settlements, KPMG projections.



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Labour markets remain resilient despite recent weak growth



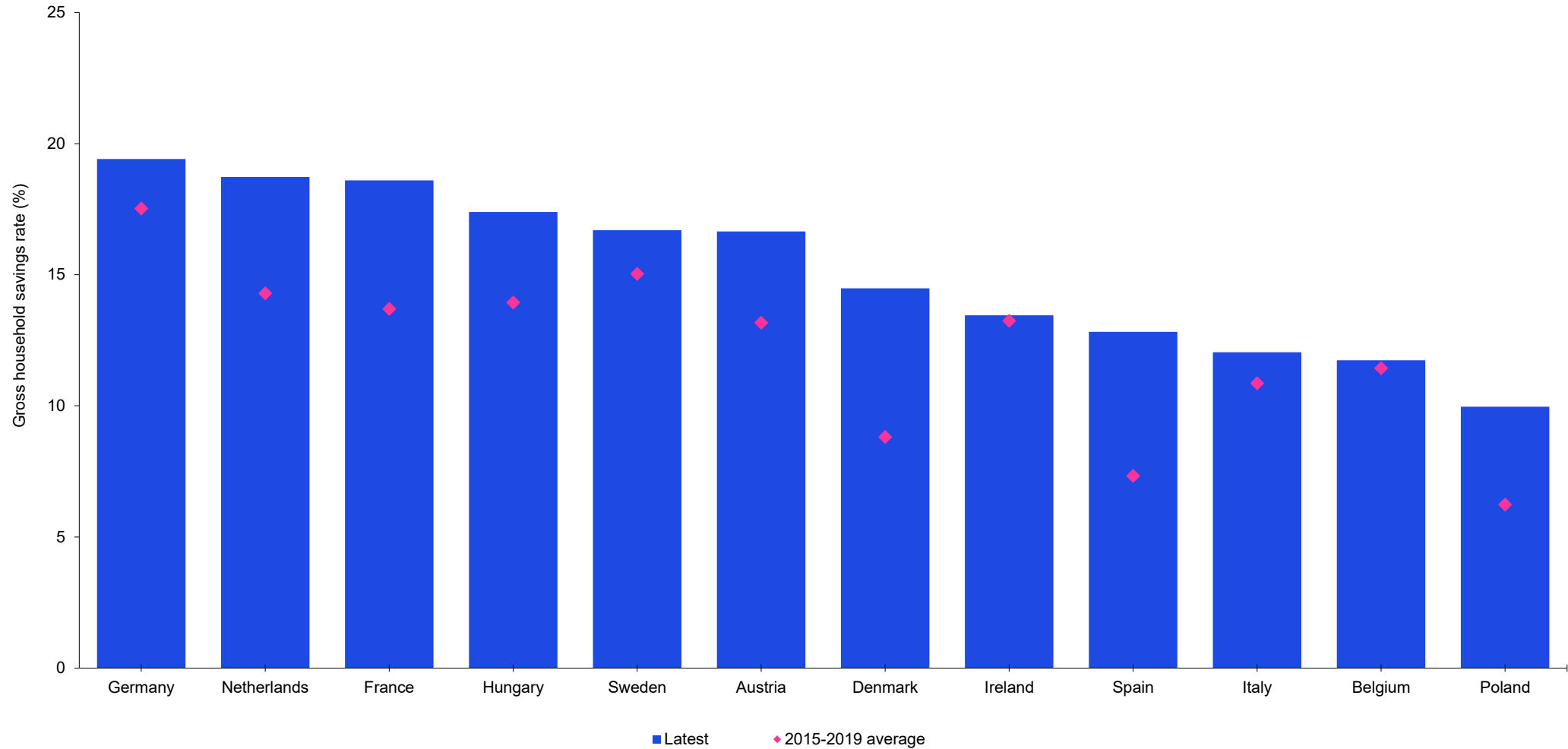
Source: Eurostat



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Household savings rates are elevated



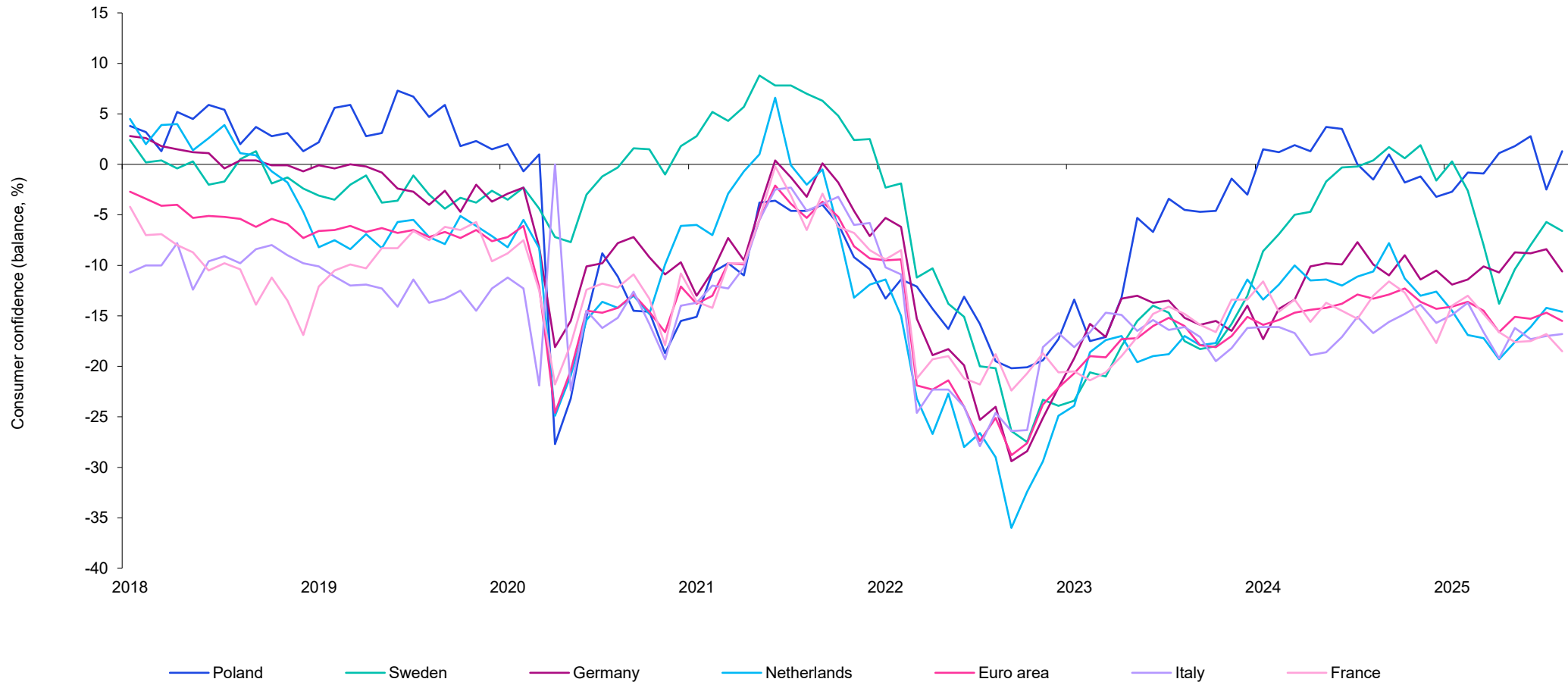
Source: Eurostat



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Consumer confidence remains weak across the region



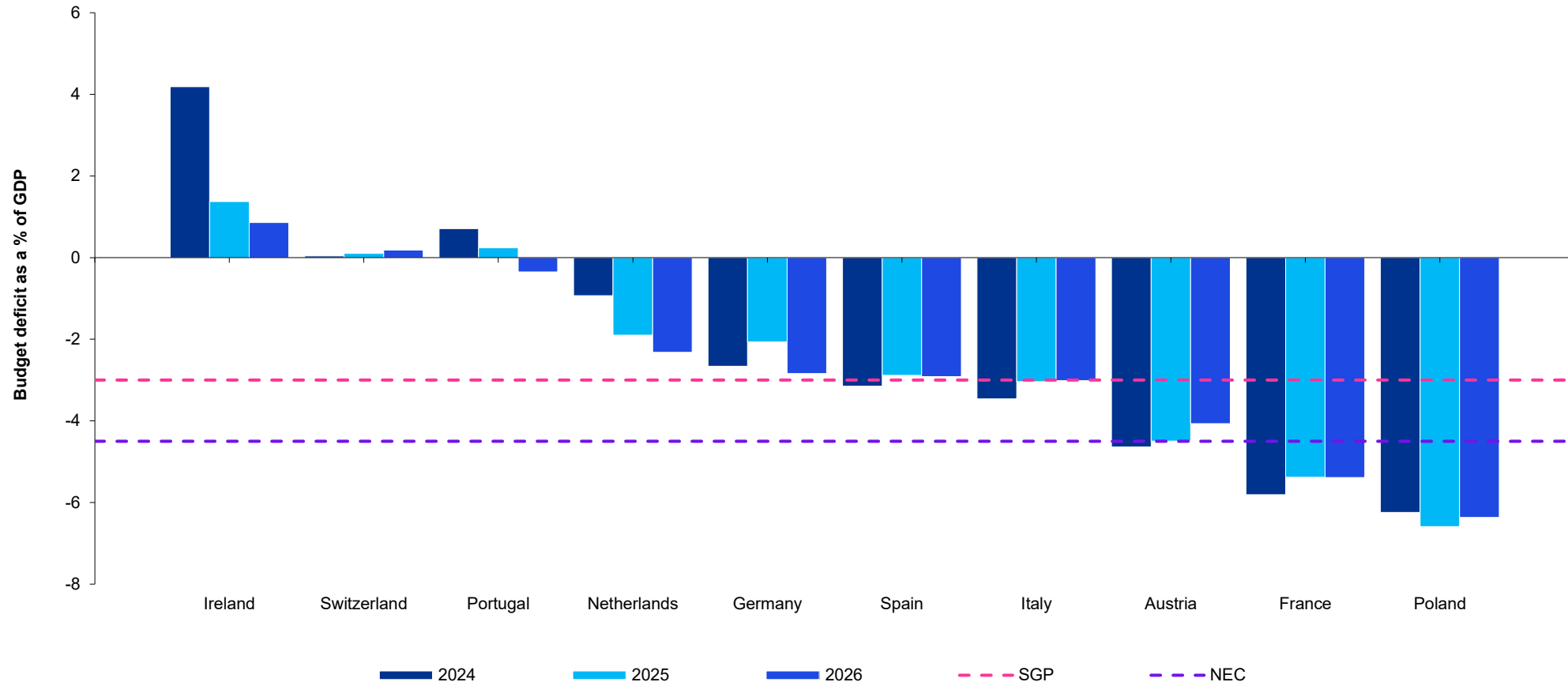
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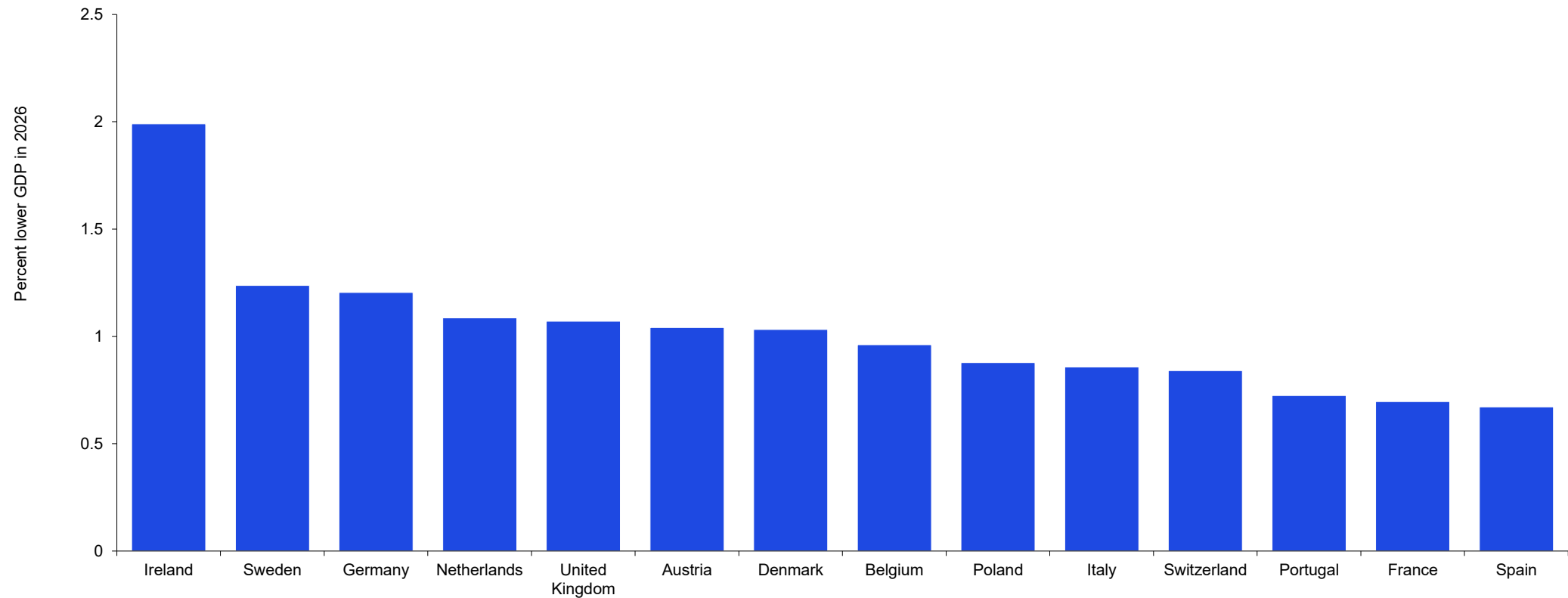
Limited fiscal space constrains policy in some European countries



Source: European Commission, KPMG projections. Note : Switzerland is not subject to EU fiscal rules. Stability and Growth Pact mandates the budget deficit cannot exceed 3% of GDP. The National Escape Clause exempts countries from the SGP rules, allowing a maximum of 1.5% above the 3% limit during exceptional circumstances. Defence is classified as an exceptional spending category by the European Commission. As of May 2025, 16 Member States including Germany and Poland have applied for the NEC exemption.

Increased Tariffs are restricting growth across the region

Our estimate suggests EU GDP will be approximately 1% lower due to tariffs by 2026



Source: KPMG estimates using the Oxford Economics Global Economic Model. We assume the 15% tariffs as agreed in EU-US trade deal and latest exemptions; non-generic pharmaceutical products are subject to a 15% tariff from Q3 2025.





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