

SPEECH

Hearing of the Committee on Economic and Monetary Affairs of the European Parliament

Speech by Christine Lagarde, President of the ECB, at the Hearing of the Committee on Economic and Monetary Affairs of the European Parliament

Brussels, 26 February 2026

It is a pleasure to return to this Committee for our regular dialogue.

Let me start with a solemn reminder that this week marks four years since Russia launched its unjustified aggression against Ukraine. Our thoughts are with the Ukrainian people, who continue to endure immense suffering, and we stand in full solidarity with all those affected by this war.

The euro area has faced an exceptionally challenging environment over recent years, with high inflation affecting both households and firms.

We can now see, however, that our efforts to bring inflation down have been effective. Inflation has fallen markedly from its peak of 10.6% in October 2022. It fluctuated in a narrow range around 2% in the second half of last year and stood at 1.7% in January. The ECB's decisive monetary policy response played a crucial role in bringing inflation back to target.

However, even though inflation has declined, surveys show that many citizens still perceive prices to be rising faster than the official data suggest.

This gap between measured and perceived inflation is not merely a statistical curiosity – it is a historical and global regularity. And it has implications for economic decisions and for trust in institutions – trust that helps anchor inflation expectations.

Today's discussion is therefore timely and relevant. Before turning to the topic of inflation perceptions, I will start by outlining our assessment of the euro area economy and our monetary policy stance.

The euro area outlook and the ECB's monetary policy

The economy is estimated to have grown by 0.3% in the fourth quarter of last year and by 1.5% in 2025 as a whole – better than what was projected for 2025 at the start of that year.

Growth in the fourth quarter was primarily driven by domestic demand, with services activity – especially in the information and communication sector – playing a key role. Manufacturing has been weaker, but overall still resilient to the impact of higher tariffs and geopolitical uncertainty, while construction is gradually gaining momentum.

In the period ahead, activity is expected to be supported by rising labour income amid a resilient labour market, as well as investment in defence, infrastructure and digital technologies. At the same

time, the trade environment remains challenging owing to higher tariffs, a stronger euro and a persistently volatile global policy environment.

Inflation declined to 1.7% in January, from 2.0% in December, owing to lower energy and services inflation. Core inflation – excluding energy and food – eased to 2.2%, after 2.3% in December.

With inflation lower than nominal wage growth, real wages – wages that are adjusted for inflation – have not only recovered but have on average risen above levels seen in early 2021. Wage growth remains elevated but has eased gradually and is expected to continue to moderate to around 3% in the medium term.

We continue to expect inflation to stabilise at our 2% target in the medium term. We therefore decided to keep the three key ECB interest rates unchanged at our monetary policy meeting earlier this month.

Looking ahead, we will continue to follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, our interest rate decisions will be based on our assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. We are not pre-committing to a particular interest rate path.

The divergence between actual and perceived inflation

Let me now turn to your chosen topic – the divergence between actual and perceived inflation – and why it matters for our mandate.

Inflation perceptions describe people's beliefs about recent price changes. While these perceptions tend to move with measured inflation, they are typically higher.^[1] This is a global phenomenon and is not unique to the euro area.^[2]

Since the launch of the ECB's Consumer Expectations Survey in April 2020, perceived inflation in the euro area has, on average, exceeded measured inflation by 1.2 percentage points.^{[3][4]} Inflation perceptions increased in 2021 and 2022, in line with measured inflation, and have since declined substantially.^[5]

Inflation perceptions matter for three reasons.

First, perceptions directly influence economic behaviour. When people believe prices are rising faster, they may adjust their consumption and saving decisions, as well as their wage demands, in response. This, in turn, can affect aggregate economic activity and inflation dynamics.

Second, perceptions of current inflation shape expectations about future inflation.^[6] We monitor these expectations closely for any signs of a sustained deviation from our 2% medium-term target.

Third, as I mentioned in my introduction, inflation perceptions can influence public trust in institutions, including the ECB.^[7] Trust is valuable in its own right – but it also helps to anchor inflation expectations.^[8]

So why do perceptions often exceed measured inflation?^[9]

A useful starting point is that there is no single perception of inflation.

Survey responses are shaped by personal experience. While the questions typically refer to changes in the general level of consumer prices, individuals interpret them through the lens of their own consumption patterns and experiences. That is why perceptions of inflation differ across demographic groups.^[10]

What people buy, and how often they buy certain goods or services, matters. Price developments in frequently purchased items tend to weigh more heavily on perceptions than broader movements in the overall consumption basket. Food price dynamics are particularly relevant in this respect. And food inflation has been above HICP inflation since mid-2022.^[11] Looking forward, we expect it to continue to decline and stabilise somewhat above 2% as of late 2026.^[12]

Psychology adds another layer. People tend to focus more on price increases than decreases of equal size, which can lead to an upward bias in their perceptions of inflation.^[13]

These everyday experiences are further shaped by the wider economic environment. The recent inflation surge, heightened uncertainty – particularly in relation to geopolitics and trade policies – and sustained media attention can all amplify people’s experience of inflation.^[14]

Finally, financial literacy matters: people with greater financial knowledge tend to report perceptions that are closer to measured inflation rates.

This raises an important question: what can policymakers do to bring perceived inflation closer into line with actual inflation?

First and foremost, we must continue to deliver on our primary objective: ensuring that inflation stabilises at our symmetric 2% target over the medium term.

Second, effective communication is essential. Following up on our 2021 strategy review, we have worked to make our communication more accessible to the wider public.^[15] For example, we have sought to explain our policies in simpler terms and we have increased our presence on digital platforms.

Third, Europe should invest in financial education to raise financial literacy levels. While there have been encouraging improvements in recent years, financial literacy in Europe is still lagging behind that of other jurisdictions.

At the ECB, we are taking active steps to communicate in a more accessible manner, for example by offering explainers on YouTube (through our “Espresso Economics” channel).^[16] These actions are one element within a wider effort among national central banks to improve financial literacy across Europe.^[17]

And I welcome the initiative on financial literacy within the savings and investments union agenda. Improving people’s understanding of economic and financial concepts will not only bring perceived inflation closer to measured inflation, but it will also allow them to make informed financial choices, strengthening resilience in the face of future economic shocks.

Conclusion

Let me conclude.

The ECB pays close attention to households' inflation perceptions – not only because these have an impact on economic activity and expectations, but also to ensure that we continue to earn the trust of the people we serve.

But strengthening individuals' trust in the ECB is a shared task. Your role is to channel their concerns and act as a bridge between the ECB and the people we serve. Our role is to focus on delivering our mandate and explain not only what we do, but also why and how we do it, and to do so in a way that can be easily understood.

By working together, we can reinforce the democratic legitimacy of our common currency. Today's dialogue is a key part of these efforts.

I look forward to your questions.

Annexes

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[Introductory statement in three charts](#)



1.

Meyler, A. and Reiche, L. (2021), "[Making sense of consumers' inflation perceptions and expectations – the role of \(un\)certainty](#)", *Economic Bulletin*, Issue 2, ECB.

2.

See, for example, Takahashi, Y. and Tamanyu, Y. (2022), "[Households' Perceived Inflation and CPI Inflation: the Case of Japan](#)", *Working Paper Series*, No 22-E-1, Bank of Japan, March; and Lebow, D. and Peneva, E. (2024), "[Inflation Perceptions During the Covid Pandemic and Recovery](#)", *FEDS Notes*, 19 January.

3.

The Consumer Expectations Survey is a monthly online survey of, currently, around 19,000 adult consumers (i.e. aged 18 or over) from 11 euro area countries: Belgium, Germany, Ireland, Greece, Spain, France, Italy, the Netherlands, Austria, Portugal and Finland.

4.

The positive perception gap is also evident in other surveys, for instance the European Commission Consumer Survey for EU countries. See Arioli, R. et al. (2017), "[EU consumers' quantitative inflation perceptions and expectations: an evaluation](#)", *Occasional Paper Series*, No 186, ECB, April. While inflation perceptions are usually above measured inflation, during the inflation surge in 2021 and 2022 measured inflation temporarily exceeded inflation perceptions.

5.

The ECB's Consumer Expectations Survey for December 2025 shows inflation perceptions over the previous 12 months at a median value of 3.2%, while HICP inflation stood at 2.0%.

6.

See, for example, Huber, S.J., Minina, D. and Schmidt, T. (2023), "[The pass-through from inflation perceptions to inflation expectations](#)", *Discussion Papers*, No 17, Deutsche Bundesbank.

7.

Guillochon, J. and ter Ellen, S. (2025), "Inflation concern, attention and central bank trust", *Journal of Economic Behavior & Organization*, Vol. 239; van der Crujisen, C., de Haan, J. and van Rooij, M. (2025), "The association of high perceived inflation with trust in national politics and central banks", *Journal of Banking & Finance*, Vol. 171.

8.

Christelis, D., Georgarakos, D., Jappelli, T. and van Rooij, M. (2020), "Trust in the Central Bank and Inflation Expectations", *International Journal of Central Banking*, Vol. 16, No 6, pp. 1-37.

9.

See, for example, Zekaite, Z. (2020), "[What drives consumers' inflation perceptions in the euro area?](#)", *Economic Letters*, Vol. 2020, No 6, Central Bank of Ireland.

10.

Di Nino, V., Kolndrekaj, A. and Meyler, A. (2022), "[What drives inflation expectations of women and men?](#)", *The ECB Blog*, ECB, 14 September; Kiss, R. and Strasser, G. (2024), "[Inflation heterogeneity across households](#)", *Working Paper Series*, No 2898, ECB. Low-income consumers, for instance, tend to perceive inflation as being higher, and women are often found to perceive inflation as being higher than men do.

11.

Exceptions are the months of June 2024, July 2024 and January 2025, where food inflation stood slightly lower than HICP inflation.

12.

Bates, C., Kuik, F., Wieland, E. and Zekaite, Z. (2025), "[Inside the food basket: what is behind recent food inflation?](#)", *Economic Bulletin*, Issue 8, ECB; Bobeica, E., Koester, G. and Nickel, C. (2025), "[When groceries bite: the role of food prices for inflation in the euro area](#)", *The ECB Blog*, ECB, 25 September.

13.

D'Acunto, F., Malmendier, U., Ospina, J. and Weber, M. (2021), "Exposure to Grocery Prices and Inflation Expectations", *Journal of Political Economy*, Vol. 129, No 5, pp. 1319-1666.

14.

Aarab, I., Bańbura, M., Bobeica, E. and Leguay, E. (2025), "[Monitoring attention to inflation in the news](#)", *Economic Bulletin*, Issue 6, ECB.

15.

ECB (2021), "[Clear, consistent and engaging: ECB monetary policy communication in a changing world](#)", *Occasional Paper Series*, No 274; ECB (2025), "[Report on monetary policy tools, strategy and communication](#)", *Occasional Paper Series*, No 372.

16.

As of February 2026, the ECB's [Espresso Economics](#) YouTube channel has around 6,750 subscribers.

17.

The ECB is committed to fostering collaboration and innovation in financial literacy among national central banks. On the ECB website, you can explore these initiatives and discover how financial literacy is being enhanced across borders. See https://www.ecb.europa.eu/ecb-and-you/financial_literacy_europe/html/index.en.html.

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