

# Europe's Economic Crossroads: ECB Rate Hikes, Inflation Pains, and Shifting

European Economy · Answer Key · 15 Questions

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**1. In June 2026, the European Central Bank (ECB) raised its deposit rate by 25 basis points. What was the new deposit facility rate?**

- A) 2.00%
- B) 2.25%**
- C) 2.50%
- D) 2.75%

**2. What primary factor is cited by the ECB for its decision to increase interest rates in June 2026?**

- A) A sharp decline in manufacturing output
- B) Mounting inflationary pressures fueled by the Middle East conflict**
- C) A significant decrease in unemployment rates
- D) Stronger-than-expected GDP growth across the Eurozone

**3. According to Eurostat's flash estimate, what was the annual inflation rate in the Euro Area for May 2026?**

- A) 2.8%
- B) 3.0%
- C) 3.2%**
- D) 3.4%

**4. What is the projected GDP growth for Germany in 2026, according to the Bundesbank's revised forecast in mid-June 2026?**

- A) 0.3%
- B) 0.5%**
- C) 0.8%
- D) 1.0%

**5. Which sector is experiencing a significant surge in demand within the European automotive market in mid-2026, challenging traditional manufacturers?**

- A) Internal combustion engine vehicles
- B) Electric Vehicles (EVs)**
- C) Hydrogen fuel cell vehicles
- D) Hybrid diesel vehicles

**6. What is the projected growth rate for light-vehicle sales in Western and Central Europe for 2026, according to EV Volumes' June forecast?**

- A) 0.1%
- B) 0.9%
- C) 2.6%**
- D) 5.0%

**7. The European semiconductor industry is experiencing which of the following trends in mid-2026?**

- A) A decrease in demand due to AI advancements
- B) Increased focus on integrated ecosystems for design, validation, and manufacturing**
- C) Reduced investment in research and development
- D) A significant decline in demand for silicon carbide devices

**8. What is the primary driver mentioned for the upward revision of inflation forecasts for 2026 and 2027 by the ECB?**

- A) Lower energy prices due to a resolution of the Middle East conflict
- B) A decrease in global demand for manufactured goods
- C) Higher energy costs stemming from the Middle East conflict**
- D) A reduction in government spending across Eurozone countries

**9. Which country's central bank lowered its GDP growth forecast for 2026 to 0.5% in mid-June 2026, citing economic activity being less resilient than expected?**

- A) Germany
- B) France**
- C) Italy
- D) Spain

**10. The EU has launched an initiative called 'T-MED' to mobilize significant funds for what purpose across the Mediterranean region by 2035?**

- A) Developing tourism infrastructure
- B) Promoting traditional agriculture
- C) Renewable energy and clean technology**
- D) Expanding fossil fuel exploration

**11. In June 2026, the Bank of England maintained its Bank Rate at 3.75%. What is the main reason cited for this decision?**

- A) Strong and consistent economic growth
- B) A sharp decrease in energy prices
- C) Continuing uncertainty around inflation and the economic outlook**
- D) A significant reduction in national debt

**12. According to the 'State of the Digital Decade' report published in June 2026, what percentage of EU enterprises use Artificial Intelligence (AI)?**

- A) 10%
- B) 20%**
- C) 30%
- D) 40%

**13. What is the projected GDP growth for the Euro Area in 2026, according to the June 2026 Eurosystem staff baseline projections?**

- A) 0.5%
- B) 0.8%**
- C) 1.2%
- D) 1.5%

**14. Germany's industry association BDI sharply lowered its growth outlook for 2026 to 0.4%. What is a major factor contributing to this downgrade?**

- A) A strong rebound in global trade
- B) Decreasing energy costs
- C) Geopolitical risks and high industrial costs**
- D) Increased government spending on social programs

**15. WindEurope is calling for what specific commitment from EU Energy Ministers to ensure future energy security and investment?**

- A) A binding 2035 renewables target
- B) A binding 2040 renewables target**
- C) Increased reliance on fossil fuels
- D) A moratorium on new renewable energy projects