



EUROPEAN CENTRAL BANK

EUROSYSTEM

The ECB's monetary policy: towards price stability

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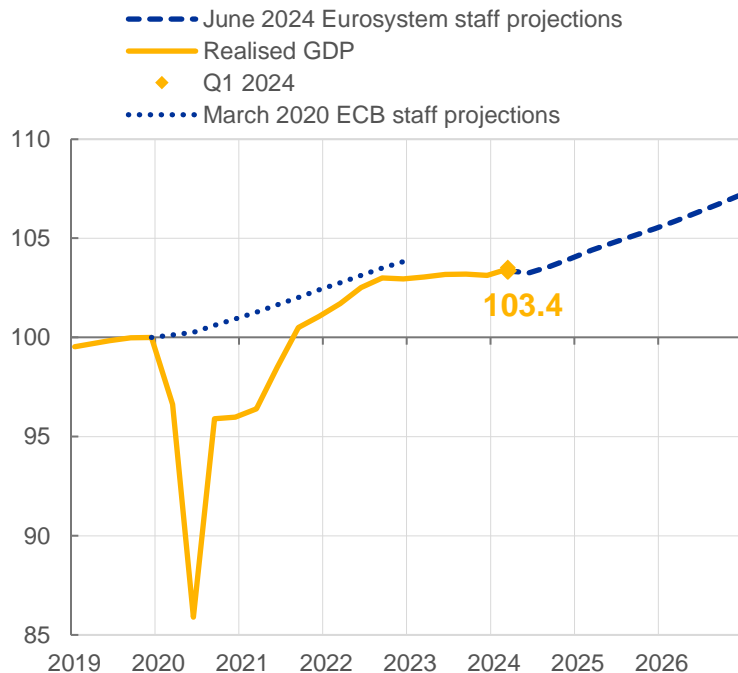
Award ceremony of Global Economy Prize 2024, IfW

Kiel, 23 June 2024

Economy is recovering gradually, but “last mile” of disinflation is proving bumpy

Real GDP

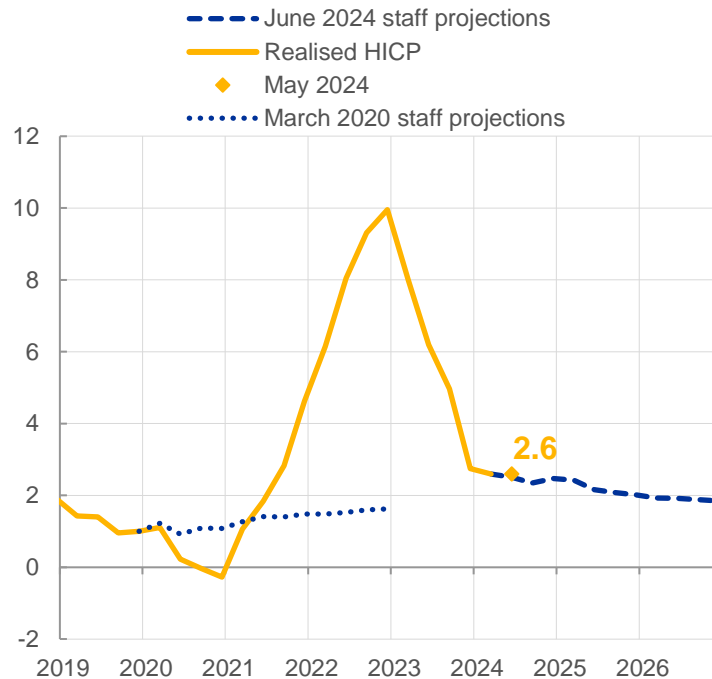
(index: Q4 2019 = 100)



Sources: Eurostat, ECB and Eurosystem.
Latest observation: Q1 2024 for realised GDP (diamond).

Inflation

(annual percentage changes, quarterly data)

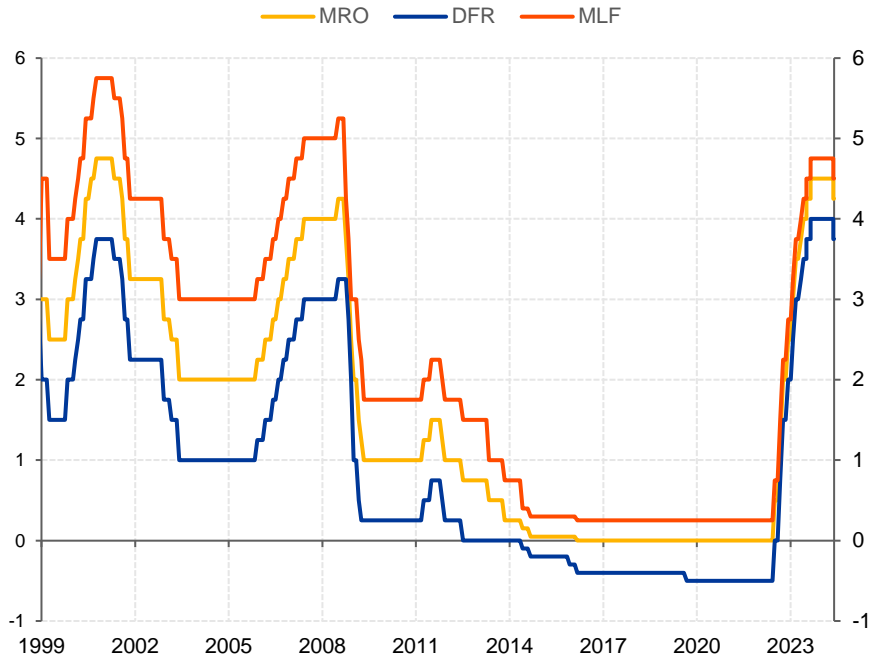


Sources: Eurostat, ECB and Eurosystem.
Latest observation: Q1 2024 for quarterly data, May 2024 for monthly data (diamond).

ECB has taken determined policy action to tackle unprecedented inflation surge

ECB key interest rates

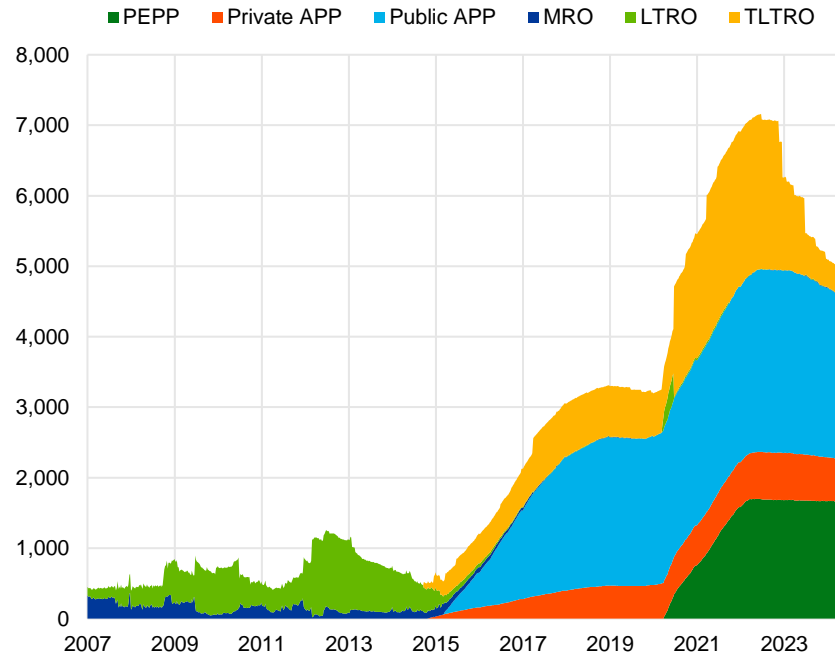
(%)



Source: ECB.
Latest observation: 20 June 2024.

Monetary policy assets

(EUR billion)

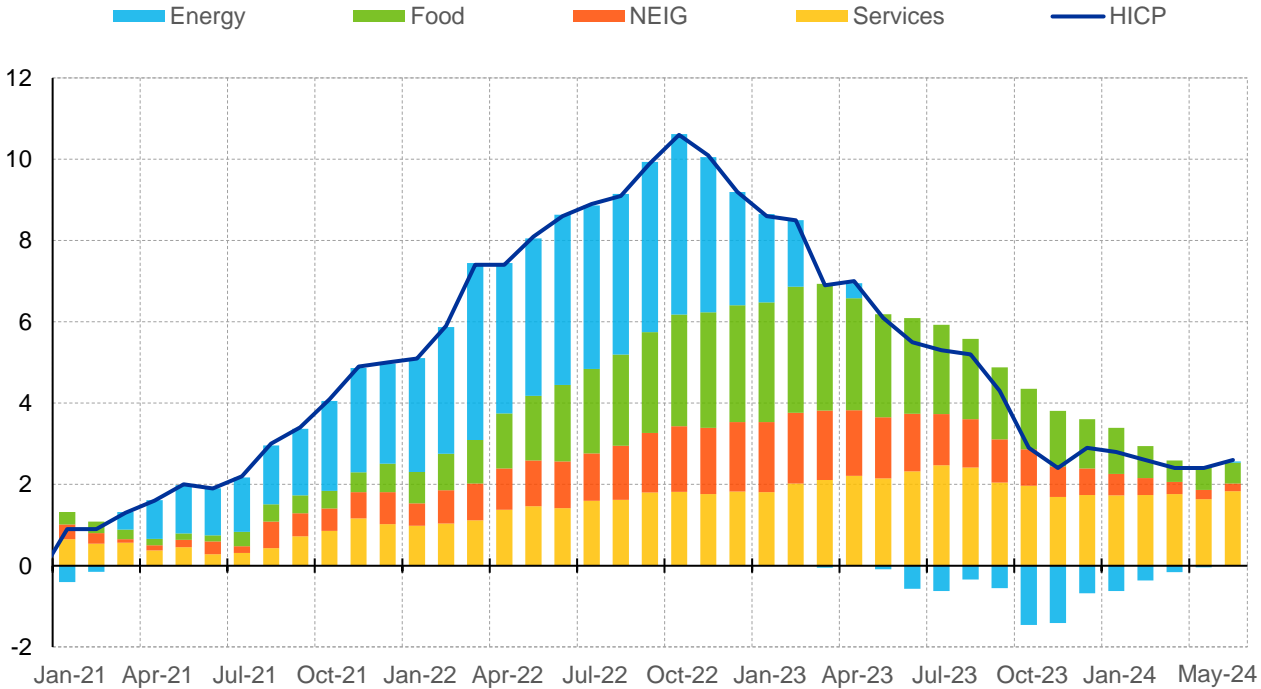


Source: ECB.
Notes: Public APP is PSPP, Private APP is CBPP3, ABSPP and CSPP.
Latest observation: 14 June 2024.

Decline in inflation largely driven by reversal of previous supply-side shocks

HICP inflation

(annual percentage changes and percentage point contributions)

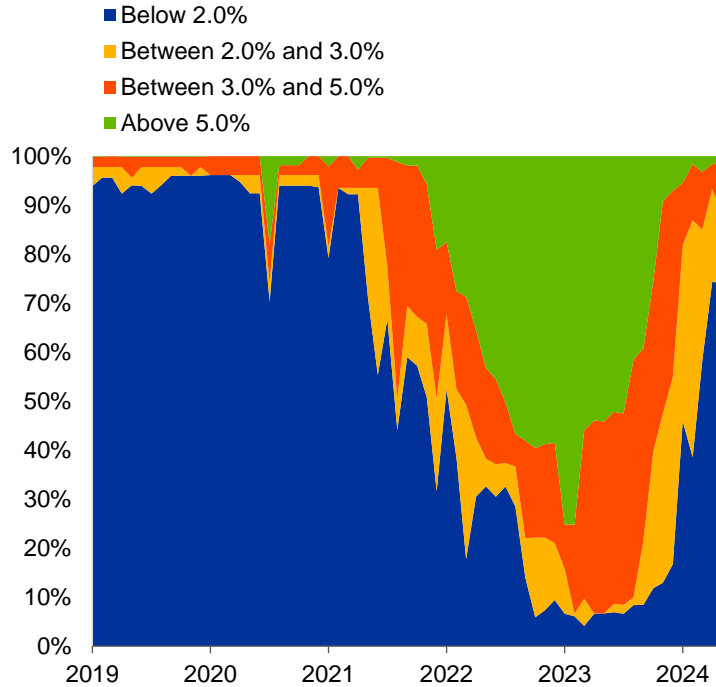


Sources: Eurostat and ECB calculations.
Latest observation: May 2024.

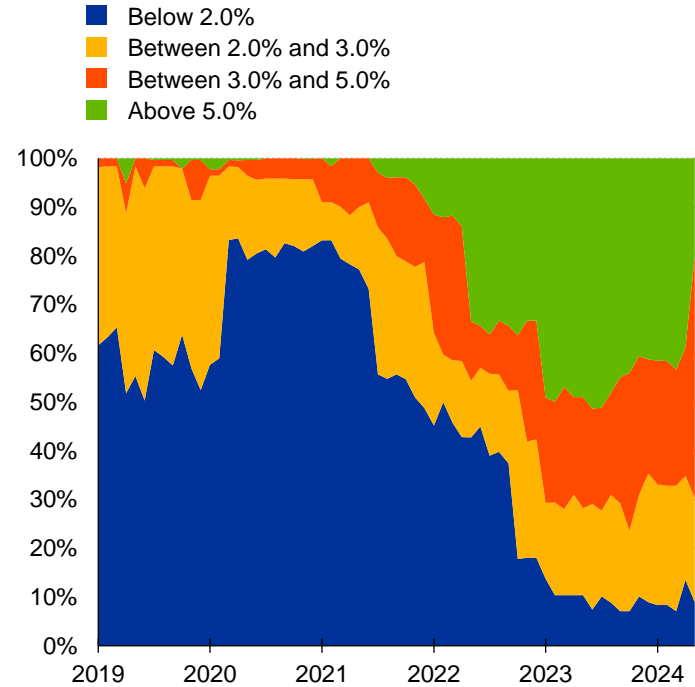
Goods inflation is dropping quickly, while services inflation proves sticky

Weighted distribution of price changes (%)

Non-energy industrial goods



Services



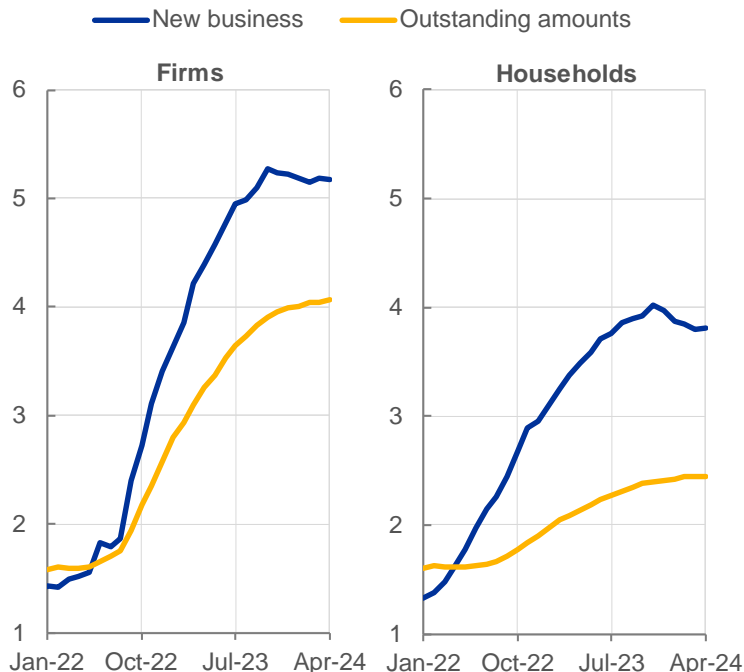
Sources: Eurostat and ECB calculations.

Notes: Based on 39 items for services and 33 items for non-energy industrial goods; the weight of items sums up the weight of items in the HICP basket in the different categories.

Latest observation: May 2024.

Sharply rising loan rates have led to a notable slowdown in bank lending

Bank lending rates to firms and households (percentages per annum)

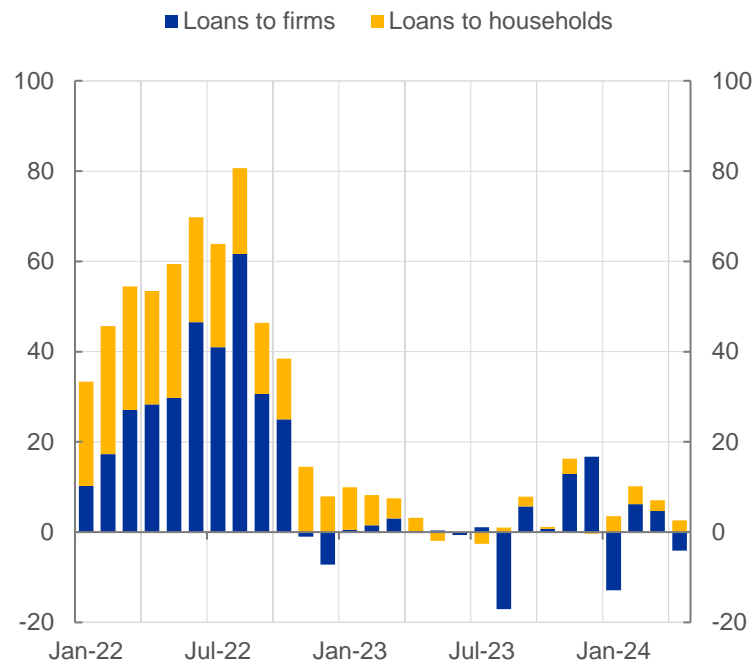


Sources: ECB (MIR) and ECB calculations.

Notes: The indicator for new business volumes corresponds to the cost of borrowing for firms and for households for house purchases is calculated by aggregating short-term and long-term rates using a 24-month moving average of new business volumes.

Latest observation: April 2024.

Bank loans to firms and households (monthly flows in EUR bn)



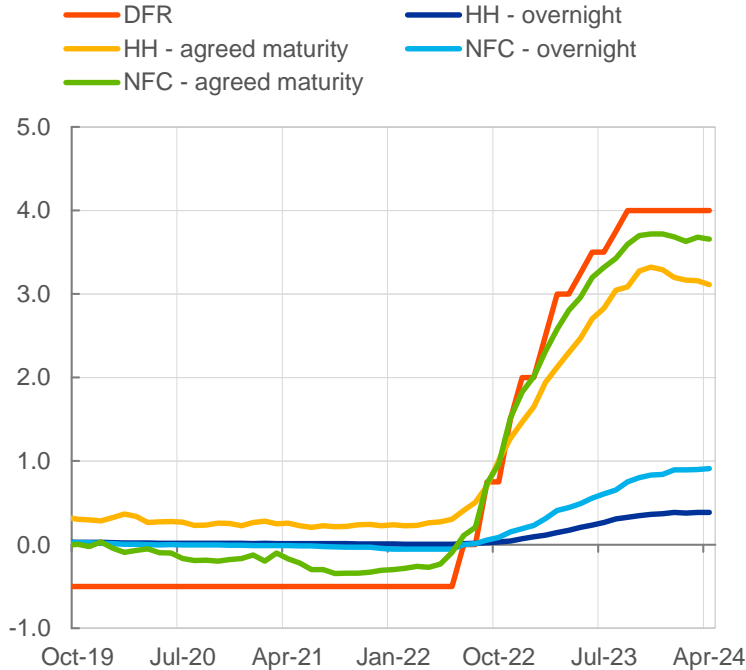
Source: ECB (BSI).

Notes: Loans to households and firms are adjusted for sales and securitisation. Loans to firms are also adjusted for cash pooling.

Latest observation: April 2024.

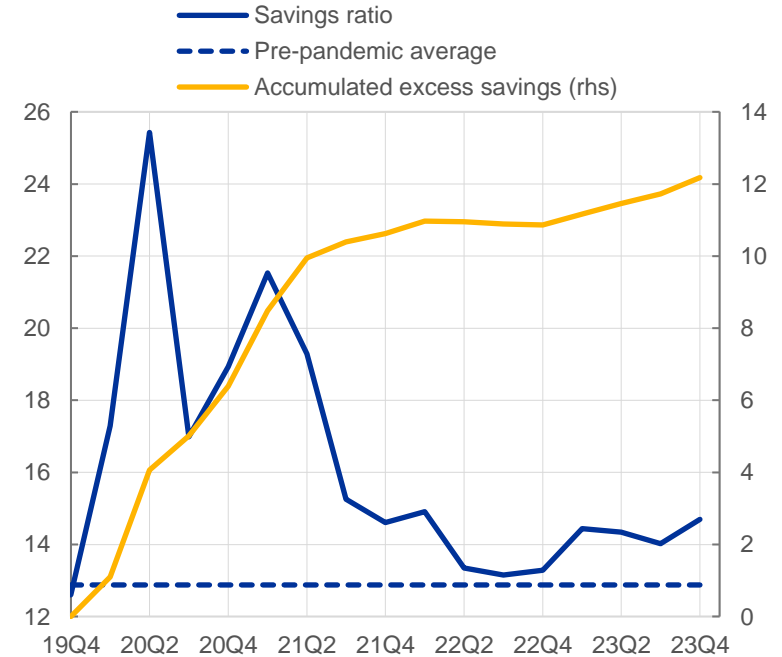
Higher deposit rates encourage higher saving, implying less consumption

Deposit rates (percentages per annum)



Household savings ratio and accumulated savings

(lhs: percentage share of nominal income;
rhs: percentage of annual disposable income)



Source: ECB (MIR).

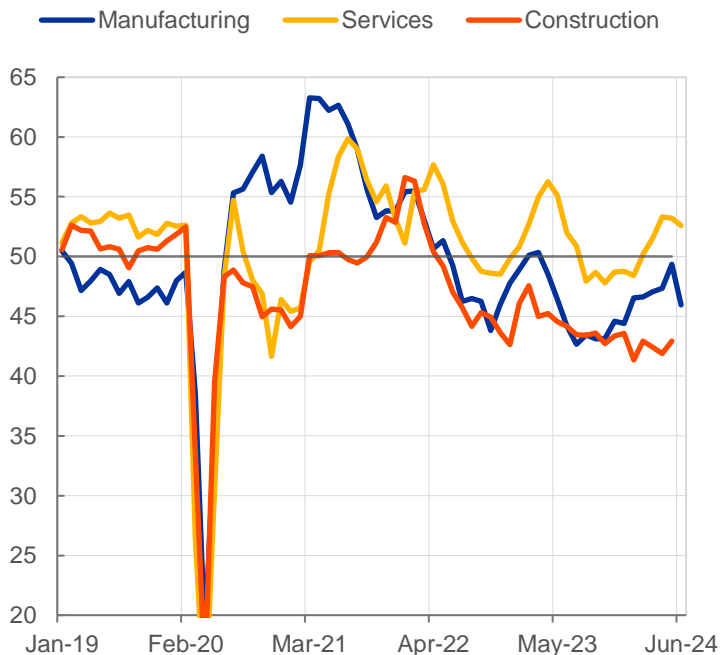
Notes: 'HH' stands for households. 'NFC' stands for non-financial corporations.
Latest observation: April 2024.

Sources: Eurostat and ECB calculations.

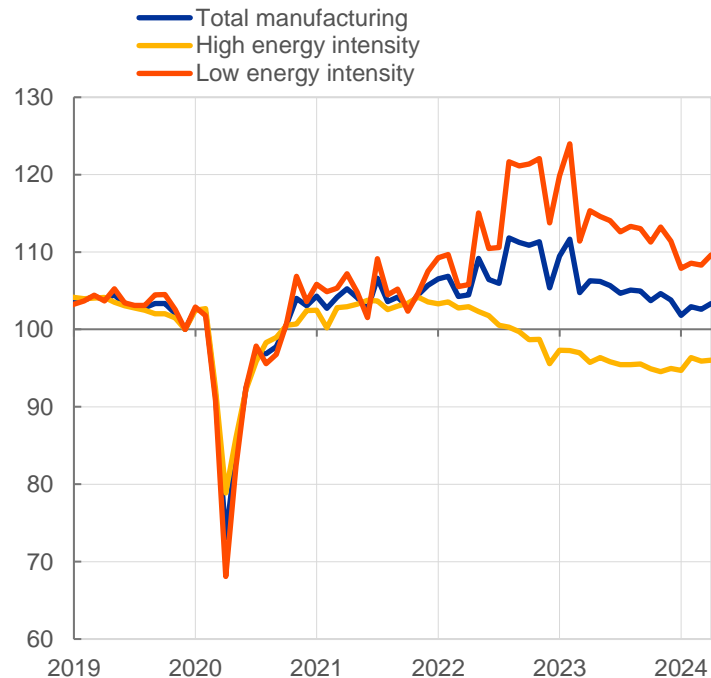
Notes: Pre-pandemic average of savings ratio is calculated over the period 2014 Q4-2019 Q4.
Excess savings are defined as in the ECB Blog "Excess savings: To spend or not to spend" of 2 November 2023.
Latest observation: 2023 Q4.

Services outperform construction and manufacturing amid structural challenges

PMI output
(diffusion index)



Industrial production: manufacturing sector
(index: December 2019 = 100)

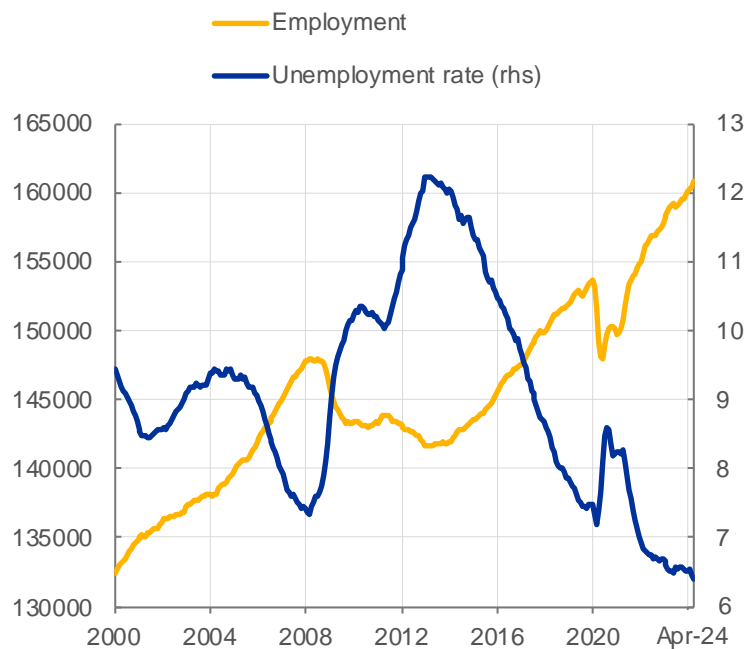


Source: S&P Global.
Latest observations: June 2024 (Manufacturing, Services), May 2024 (Construction).

Sources: Eurostat, Trade Data Monitor and ECB staff calculations.
Notes: Data are seasonally-adjusted. Industrial production indices for individual sectors are aggregated with value-added weights. Low (high) energy-intensity sectors are defined as those with an energy intensity lower (higher) than that of the median sector. For more details, see [Chiacchio, De Santis, Gunnella and Lebastard \(2023\)](#).
Latest observation: April 2024.

Unemployment rate and employment

(lhs: thousands of persons; rhs: percentage of the labour force)



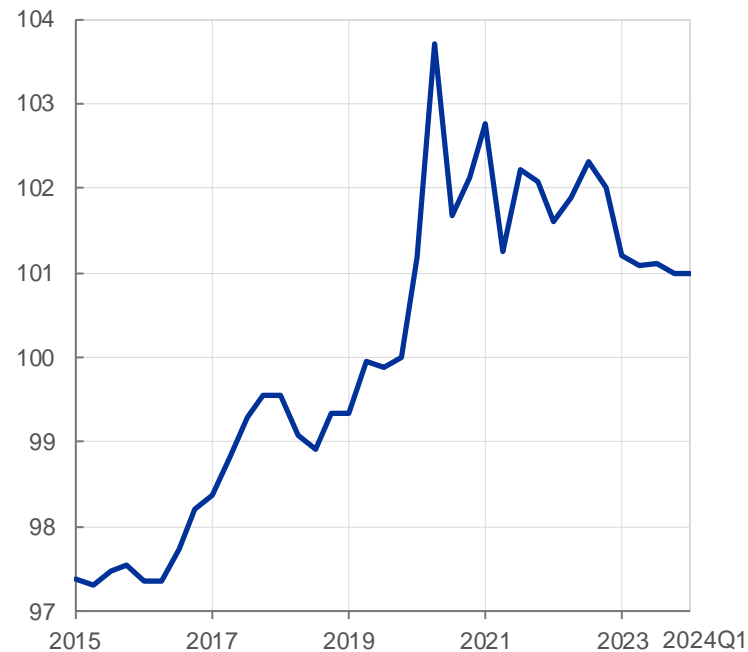
Source: ECB calculations based on Eurostat data.

Notes: The monthly employment data have been computed manually as the difference between labour force and unemployment.

Latest observation: April 2024.

Labour productivity per hour

(index: 2019 Q4 = 100)



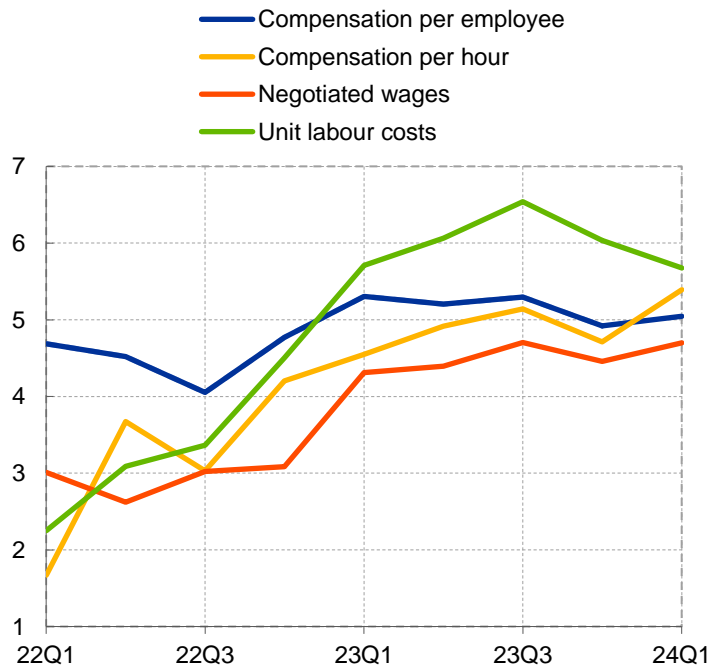
Source: ECB calculation based on Eurostat data.

Latest observation: 2024 Q1.

First indications of easing wage growth, supported by declining inflation expectations

Labour cost indicators in the euro area

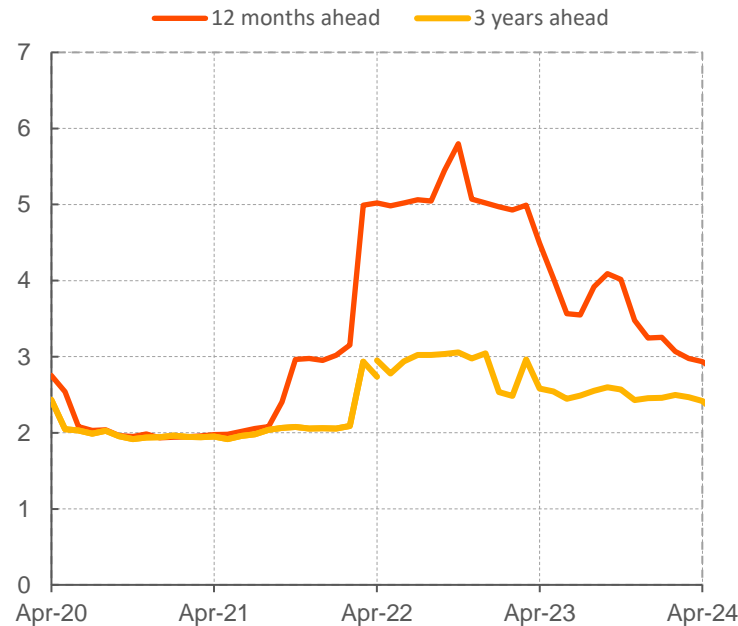
(annual percentage changes)



Sources: Eurostat and ECB staff calculations.
Latest observations: 2024 Q1.

Inflation expectations 12 months and three years ahead

(annual percentage changes)



Source: ECB Consumer Expectations Survey.

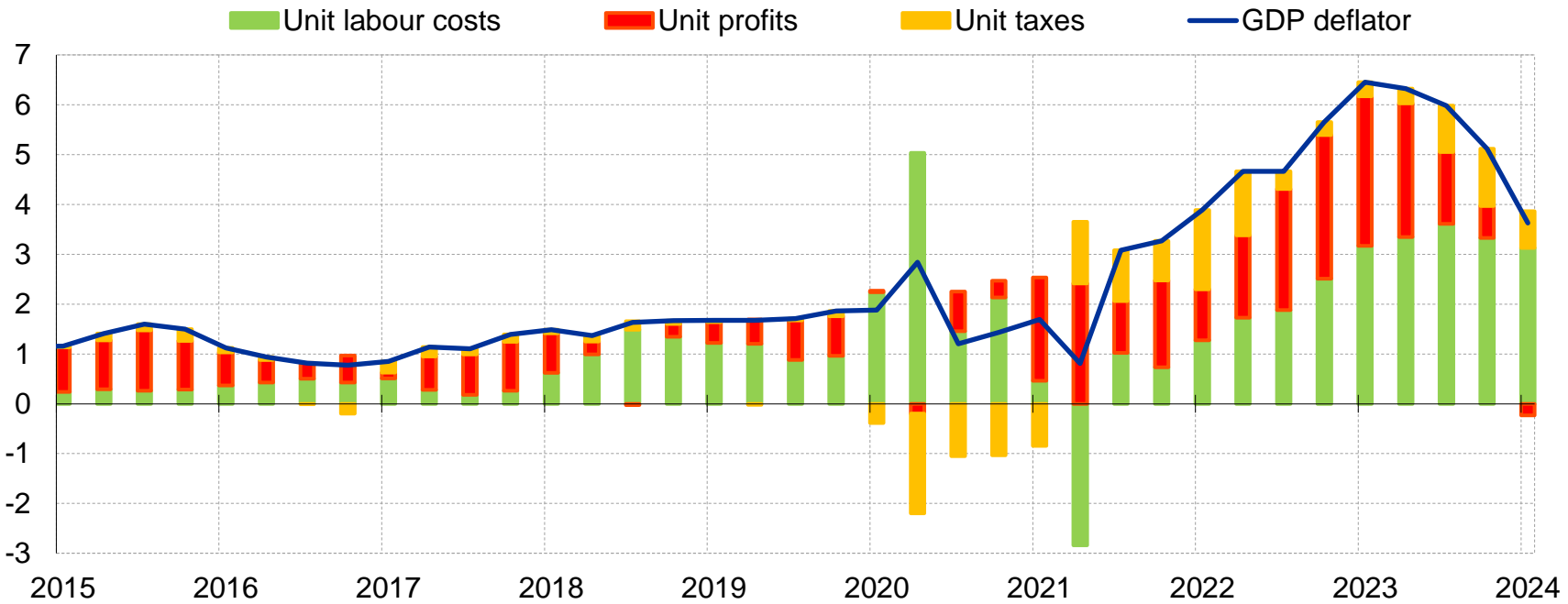
Notes: Weighted estimates. The median is computed on the basis of a symmetric linear interpolation that accounts for rounding of responses. Mean values are winsorised at the 2nd and 98th percentiles of each survey round and country. The shift in the time series in April 2022 visualises the change in the composition of the aggregates due to the inclusion of five additional countries (IE, GR, AT, PT and FI).

Latest observations: April 2024.

Firms are starting to absorb higher wage costs in their profit margins

GDP deflator

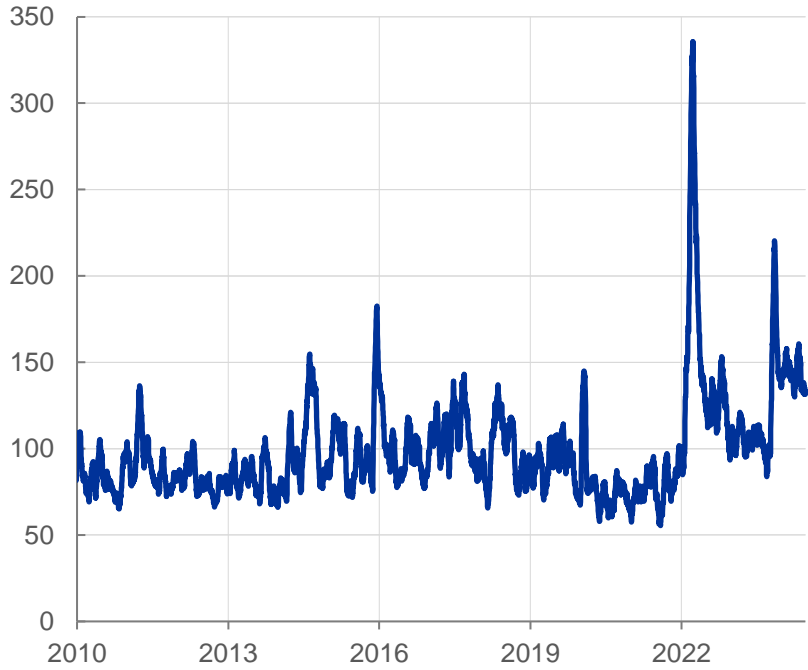
(annual percentage changes and percentage change contributions)



Sources: Eurostat and ECB calculations.
Notes: Unit taxes refer to unit net indirect taxes defined as indirect taxes minus subsidies.
Latest observation: 2024 Q1.

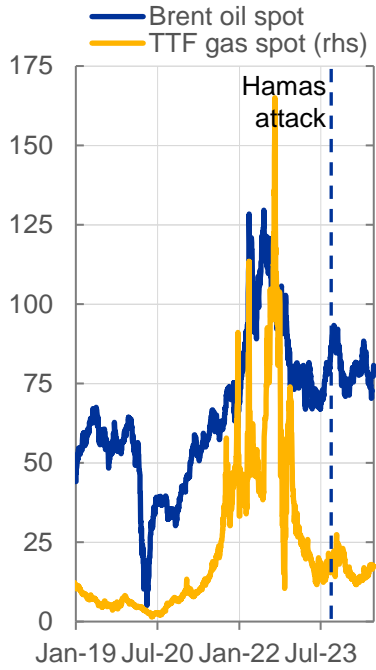
New supply-side shocks: geopolitical risks

Geopolitical risks (index)



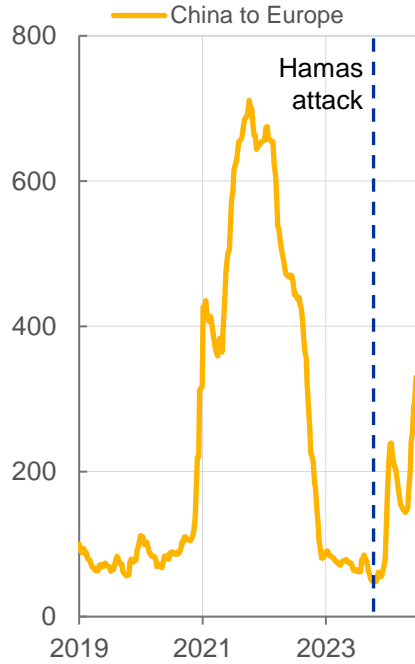
Source: 30-day moving average of the daily geopolitical risk index by Caldara and Iacoviello (2022).
 Notes: The index is based on ten newspapers and is constructed by counting the number of articles related to adverse geopolitical events in each newspaper for each month (as a share of the total number of news articles).
 Latest observation: 17 June 2024.

Crude oil and natural gas prices (oil: EUR/barrel, gas: EUR/MWh)



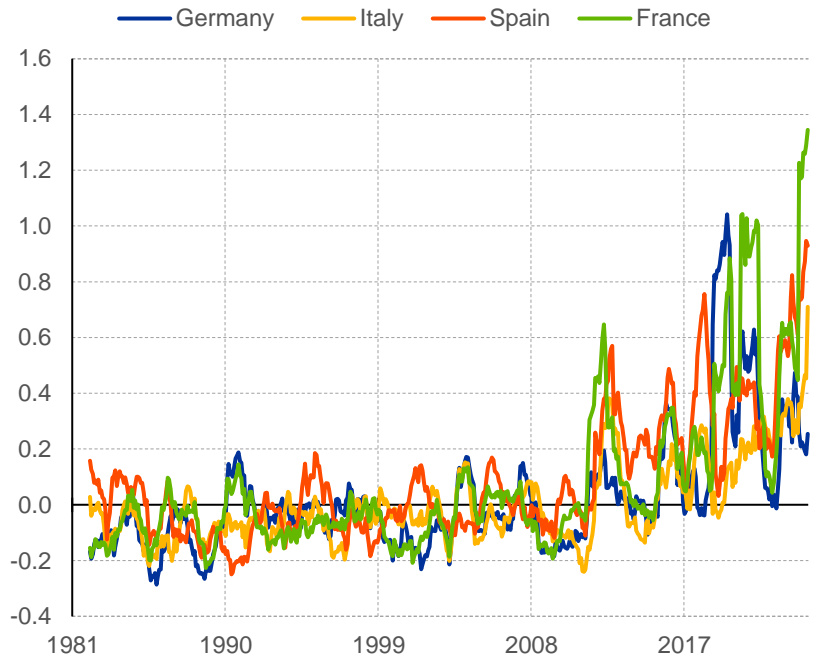
Sources: Bloomberg and ECB calculations.
 Latest observation: 19 June 2024.

Shipping prices (index, Jan 2019 = 100)



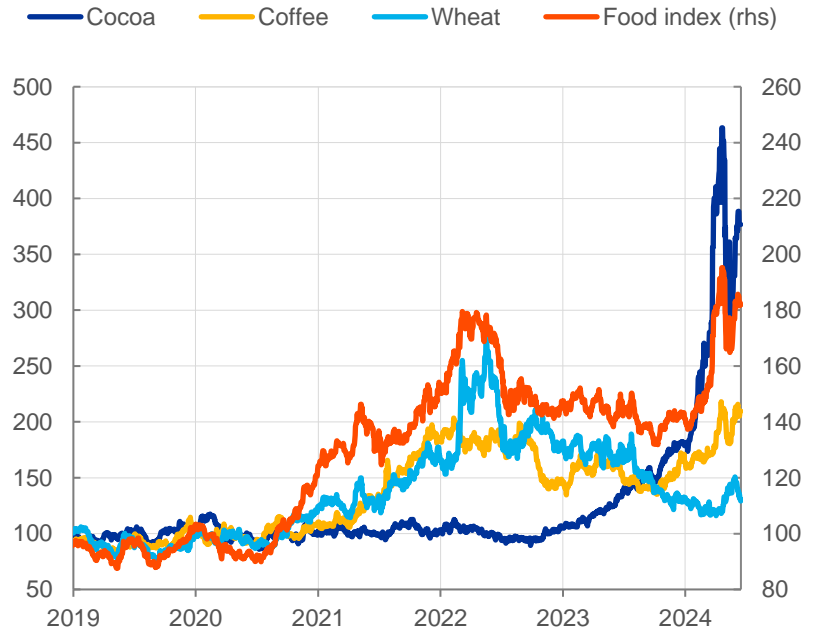
Sources: Drewry shipping consultants via Haver Analytics and ECB staff calculations.
 Notes: Drewry freight costs from Shanghai to Rotterdam (for forty-foot equivalent unit shipping container).
 Latest observation: 20 June 2024. www.ecb.europa.eu

Extreme weather events (12-month rolling average index)



Sources: IFAB and ECB staff calculations.
 Notes: The European Extreme Events Climate Index (E3CI) provides a general overview of weather-induced hazards by combining seven components: Extreme max and min temperature, drought, extreme precipitation, hail, fire, extreme wind. A value over 1 indicates an extreme weather event. The index shows a standardised anomaly with respect to the reference values (based on data ranging from 1981-2010).
 Latest observation: April 2024.

Food prices (Index, 2020 = 100)



Sources: HWWI and ECB calculations.
 Latest observation: 14 June 2024.

Thank you very much for your attention!