



EUROPEAN CENTRAL BANK

EUROSYSTEM

Background slides

EIB Chief Economists' Meeting
Luxembourg



16 September 2024

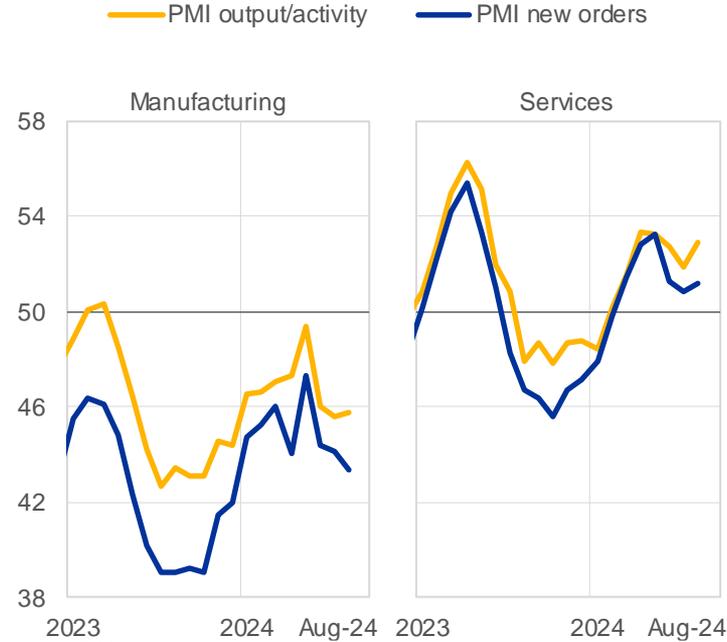
Philip R. Lane
Member of the Executive Board

ECB staff macroeconomic projections, September 2024: key macroeconomic variables

	September 2024				vs June 2024			
	(annual percentage change)				(percentage points)			
	2023	2024	2025	2026	2023	2024	2025	2026
HICP	5.4	2.5	2.2	1.9	0.0	0.0	0.0	0.0
HICP excl. energy and food	4.9	2.9	2.3	2.0	0.0	0.1	0.1	0.0
Compensation per employee	5.3	4.5	3.6	3.2	0.1	-0.3	0.1	0.0
Unit labour costs	6.2	4.5	2.6	2.1	0.1	-0.2	0.1	0.0
Real GDP	0.5	0.8	1.3	1.5	-0.1	-0.1	-0.1	-0.1
Private consumption	0.7	0.8	1.4	1.5	0.1	-0.4	-0.3	-0.1
Government consumption	1.0	1.2	1.1	1.1	0.2	0.0	0.0	0.0
Total investment	1.2	-0.5	1.2	2.1	-0.1	-0.6	-0.3	0.1
Unemployment rate (% of labour force)	6.5	6.5	6.5	6.5	0.0	0.0	0.0	0.2
	September 2024				vs June 2024			
	(Q4 on Q4 percentage change)				(percentage points)			
	23Q4	24Q4	25Q4	26Q4	23Q4	24Q4	25Q4	26Q4
HICP	2.7	2.6	2.0	1.9	0.0	0.1	0.0	0.1
HICP excl. energy and food	3.7	2.9	2.1	1.9	0.0	0.3	-0.1	-0.1
Compensation per employee	4.8	4.3	3.3	3.0	0.1	-0.2	-0.2	0.0
Unit labour costs	5.9	3.7	2.2	1.9	0.0	0.1	-0.3	0.0
Real GDP	0.2	1.1	1.5	1.4	0.1	-0.4	0.1	-0.2
Private consumption	0.8	0.9	1.5	1.4	0.2	-0.8	0.0	-0.2
Government consumption	1.6	0.4	1.5	0.9	0.3	-0.2	0.3	-0.2
Total investment	1.5	-0.7	1.3	2.3	-0.1	-0.8	0.2	0.1
Unemployment rate (% of labour force)	6.5	6.5	6.5	6.4	0.0	0.0	0.1	0.1

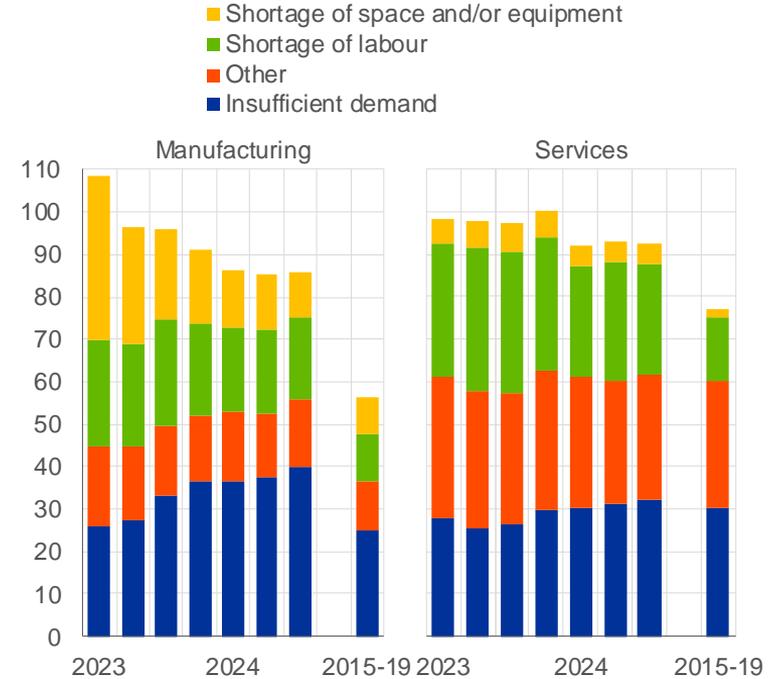
Note: Revisions calculated based on rounded figures.

Purchasing Managers' Indices (diffusion indices)



Source: S&P Global
Latest observation: August 2024.

Limits to production (percentage balances)

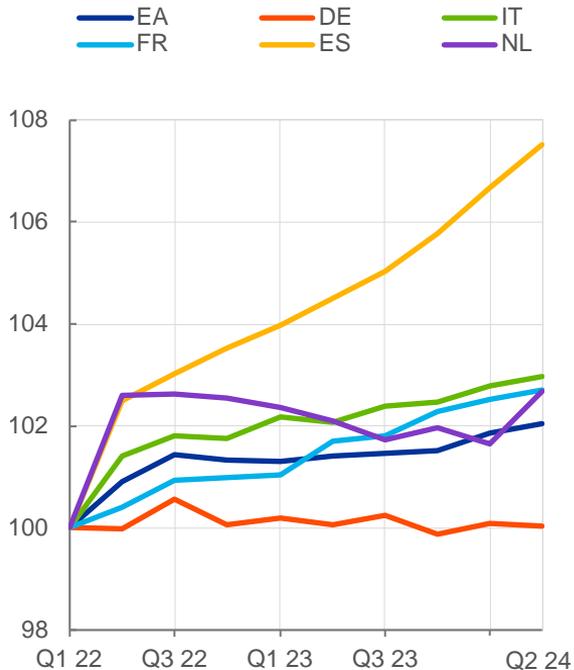


Source: DG-ECFIN.
Latest observation: (July) Q3 2024.

Country developments

Real GDP across the five largest euro area countries

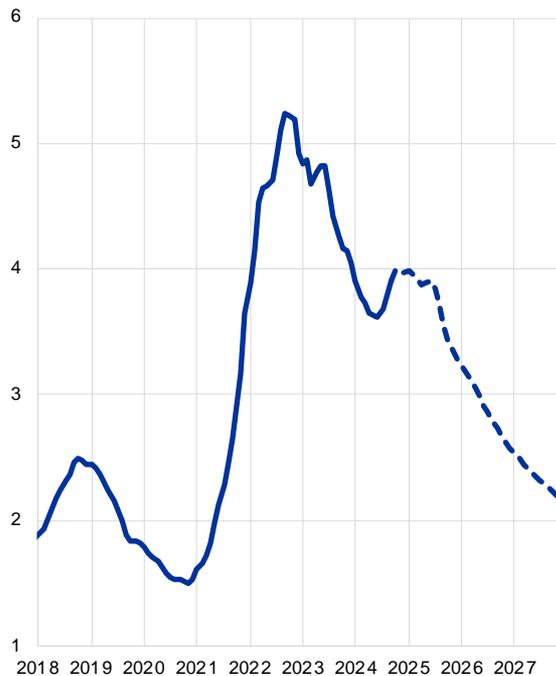
(index: Q1 2022 = 100)



Sources: Eurostat, ECB staff calculations.
Latest observation: Q2 2024.

Euro Area vs US energy costs

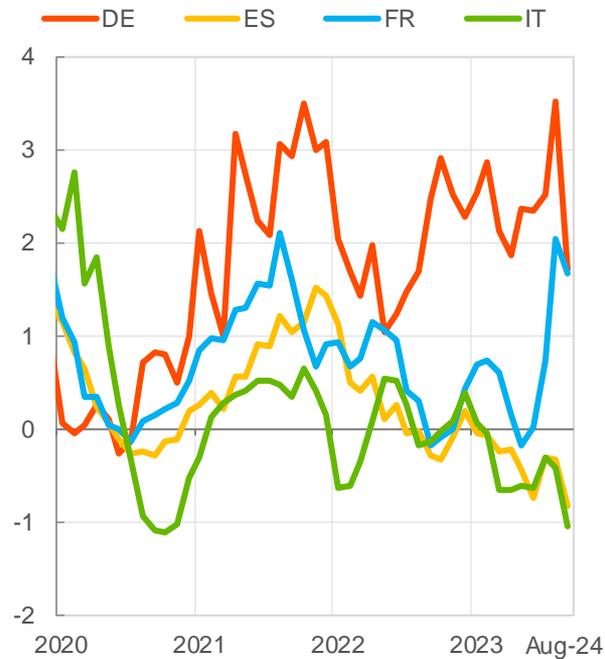
(ratio, 3m moving averages)



Sources: Trade data monitor, IMF, ADB-MRIO and ECB staff calculations.
Notes: Relative energy price is the weighted average of relative natural gas prices and relative oil prices in the euro area vs US where each component is respectively weighted by the share of gas and electricity and oil and coal in the energy mix for each industry-country pairs. Weights are the share of country-sector exports in total euro area exports. For the period Sep. 2024-Dec. 2027, the forward curve of oil and gas prices is used, export weights are kept unchanged at their value at the end of 2023. Latest observation: August 2024 (historical series); December 2027 (forecasted).

Economic policy uncertainty

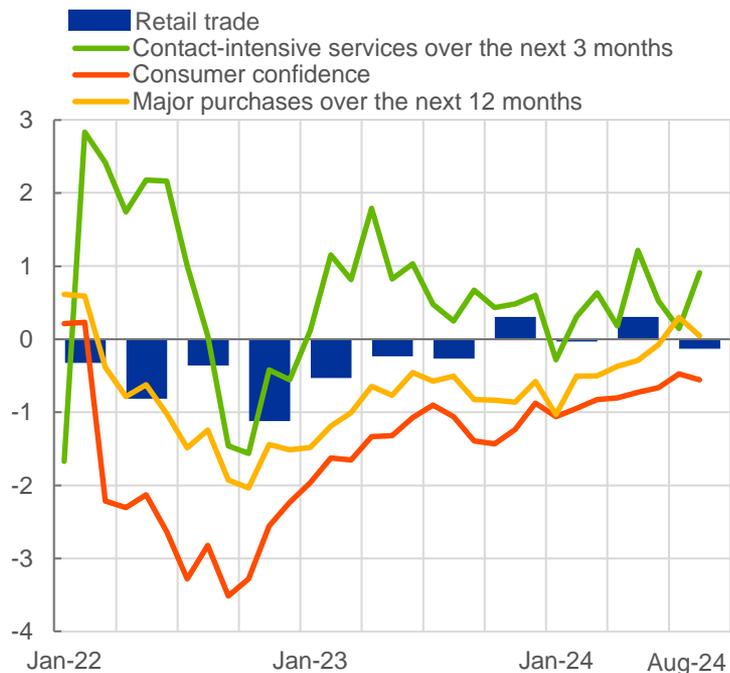
(standard deviations, three-months moving averages)



Sources: PolicyUncertainty.com (Haver Analytics), ECB staff calculations.
Latest observation: August 2024.

Retail trade, confidence and expectations

(quarter-on-quarter percentage changes, standardised percentage balances)



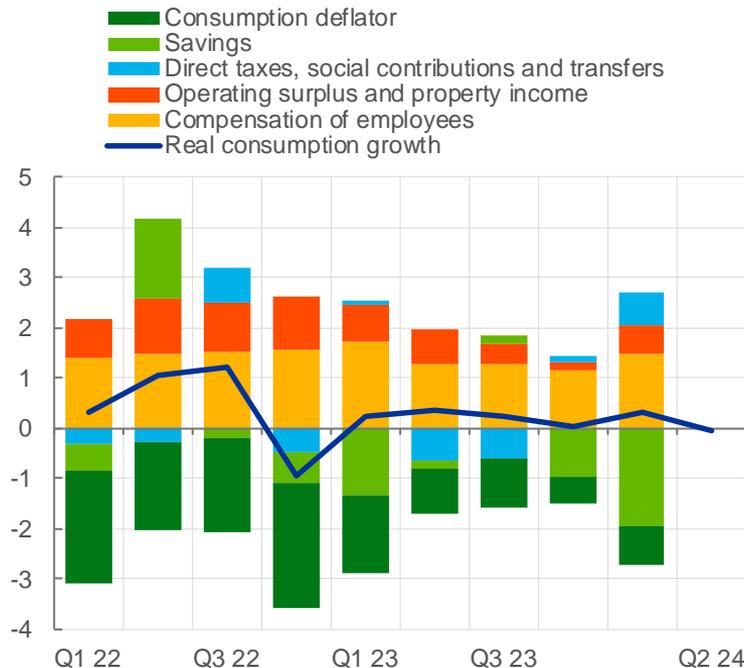
Sources: Eurostat, DG-ECFIN and ECB staff calculations.

Note: Demand for services is standardised over 2005-2019, confidence and demand for purchases are standardised over 1999-2019.

Latest observations: August 2024 for surveys and July 2024 for retail trade.

Real private consumption growth decomposition

(quarter-on-quarter percentage changes and pp contributions)

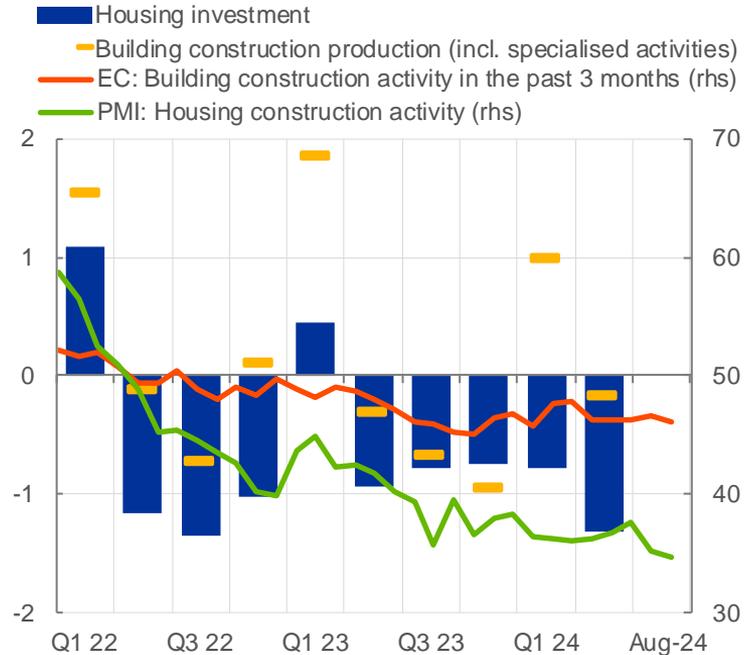


Sources: Eurostat, ECB and ECB Staff calculations.

Latest observations: Q2 2024 for real private consumption, Q1 2024 for the components.

Housing investment and short-term indicators

(left-hand scale: quarter-on-quarter percentage changes;
right-hand scale: diffusion index)



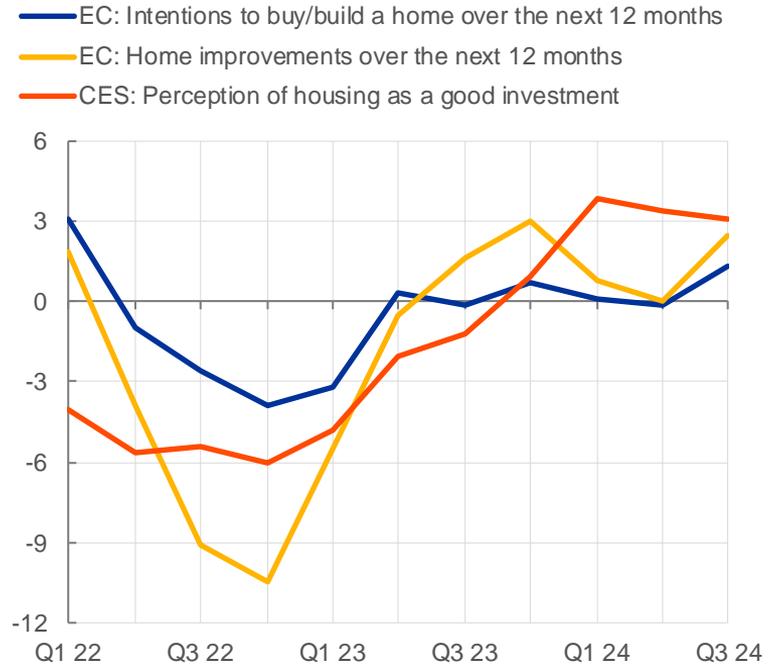
Sources: Eurostat, DG-ECFIN, S&P Global, ECB staff calculations.

Note: The European Commission (EC) indicator includes specialised activities and is transformed to have the same mean and standard deviation as the PMI.

Latest observations: Q2 2024 for housing investment, June 2024 for building construction production, August 2024 for surveys (PMI and EC).

Housing investment and sentiment

(y-o-y differences in percentage balances, y-o-y differences in percentage shares of respondents)



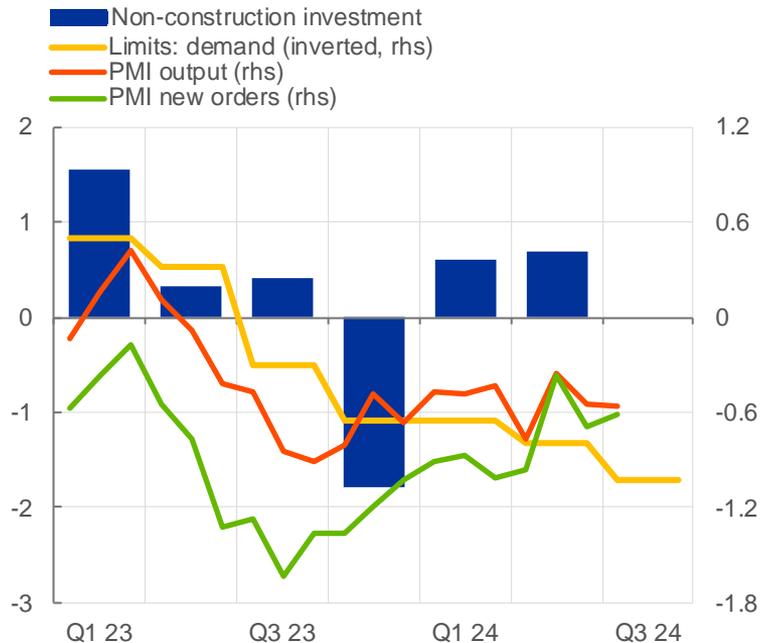
Sources: ECB, DG-ECFIN.

Note: CES data are shown as quarterly averages of monthly data and measure the share of respondents who consider buying a property in their neighbourhood today to be a "good" or "very good" investment.

Latest observations: Q3 2024 for EC and July 2024 for CES.

Business investment and capital goods indicators

(left-hand scale: quarter-on-quarter percentage changes, de-meanned net balances, right-hand scale: diffusion indices)

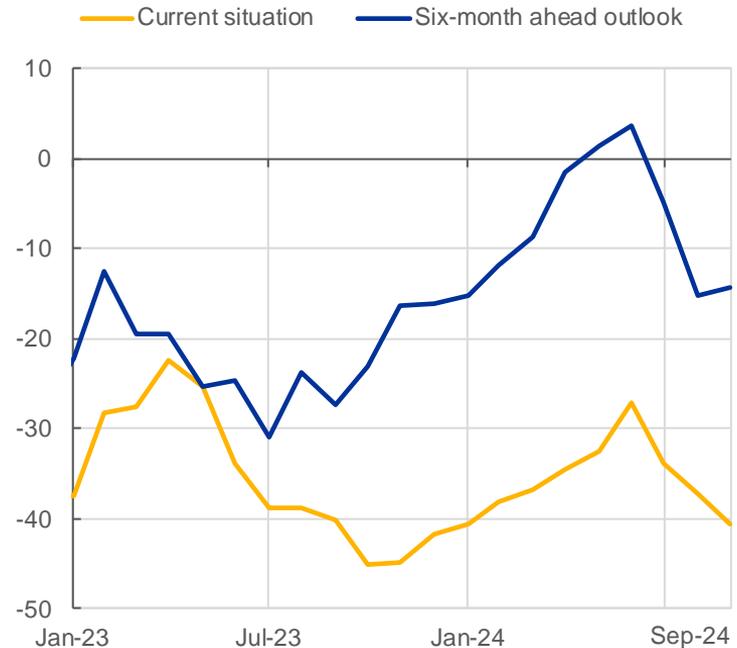


Sources: Eurostat, DG-ECFIN, S&P Global, ECB calculations.

Notes: PMIs as deviation from growth threshold (50), divided by 10. Limits are expressed as deviation from 2015-2019 mean.

Latest observations: Q2 2024 for investment and July 2024 for EC and PMIs.

Sentix survey (percentage balances)



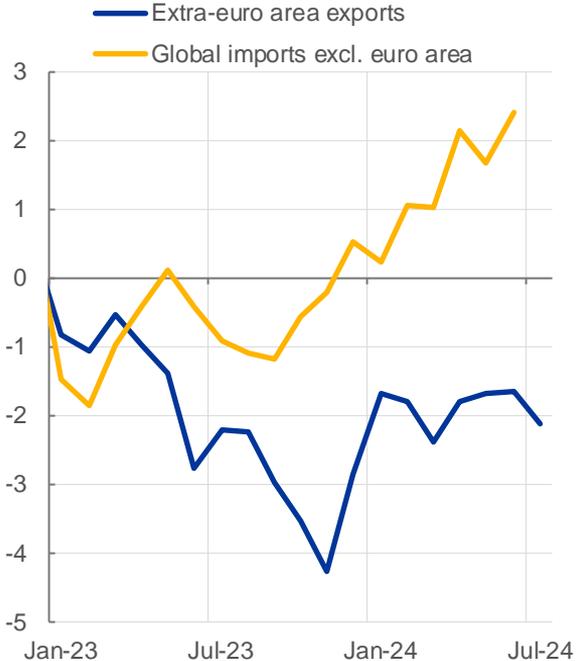
Sources: Sentix.

Notes: Both series have been de-meanned using the 2015-2019 period as the baseline.

Latest observations: September 2024;

Euro area goods export volumes

(y-o-y percentage change)



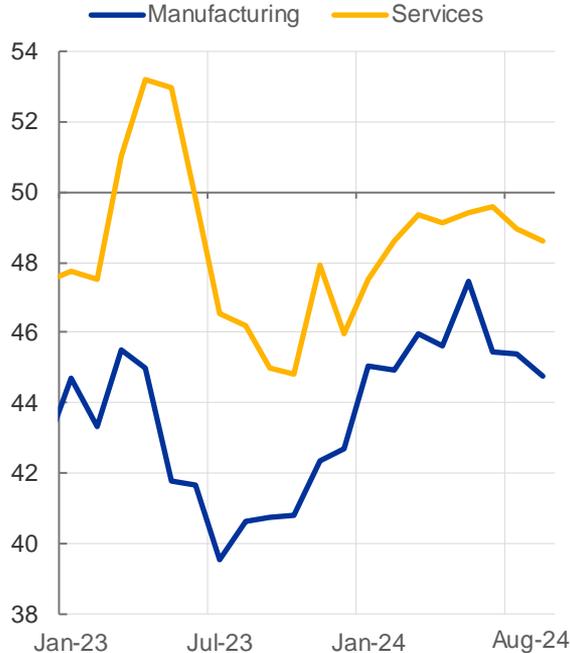
Sources: Eurostat and CPB.

Notes: The underlying data are seasonally adjusted and transformed using three-month moving averages. The July export data are approximated.

Latest observation: July 2024 for extra-euro area exports; June 2024 for global imports excl. euro area.

PMI for new export orders

(diffusion index)



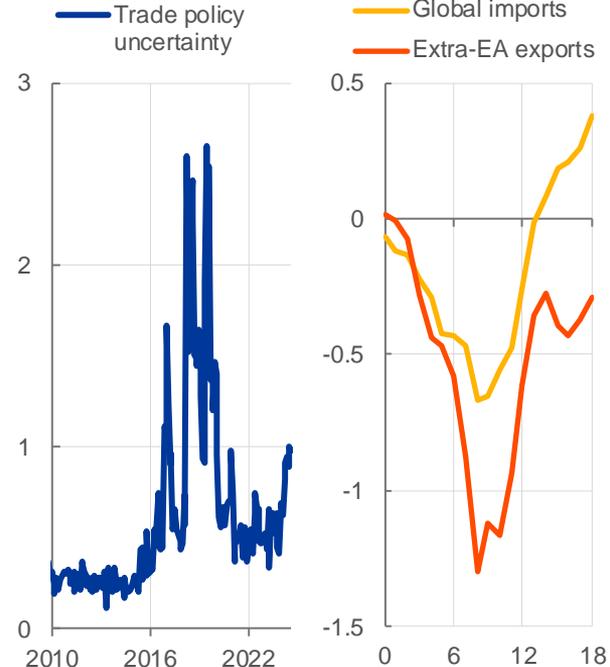
Source: S&P.

Notes: The diffusion index represents a percentage balance that ranges from 0 to 100. A value above 50 indicates an expansion, a value below 50 indicates a contraction.

Latest observation: August 2024.

Trade policy uncertainty index and effects on trade volumes

(rhs: response to a 1 s.d. shock, annual % change)



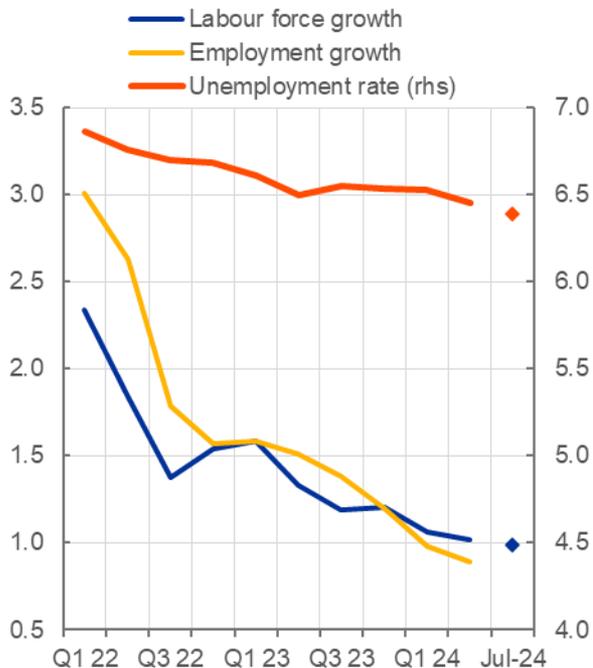
Sources: Eurostat, Baker, Bloom, and Davis (2016), CPB, Caldara et al. (2020), and ECB staff calculations.

Notes: : Left panel: trade policy uncertainty index based on online text search, measured as the share of newspaper articles in which the term appears. The latest observation is for 2024. Right panel: impulse response functions to a shock in the trade policy uncertainty index. Latest observation: lhs: August 2024.

Labour market developments

Employment, unemployment and labour force developments

(annual percentage changes, percentage points)

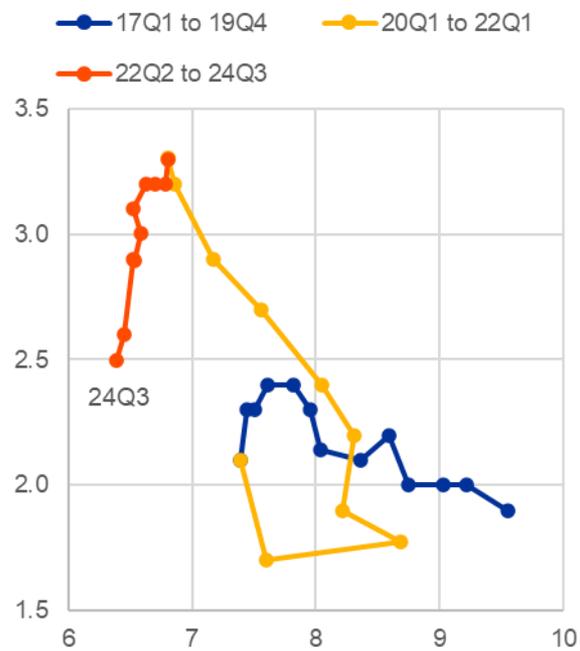


Source: Eurostat.

Note: Employment growth is based on national accounts data, Labour force growth and unemployment rate are based on EU labour force survey data. The latest observations are for the second quarter of 2024 for employment growth and July 2024 for unemployment rate and labour force growth.

Beveridge curve

(horizontal axis: unemployment rate; vertical axis: vacancy rate)



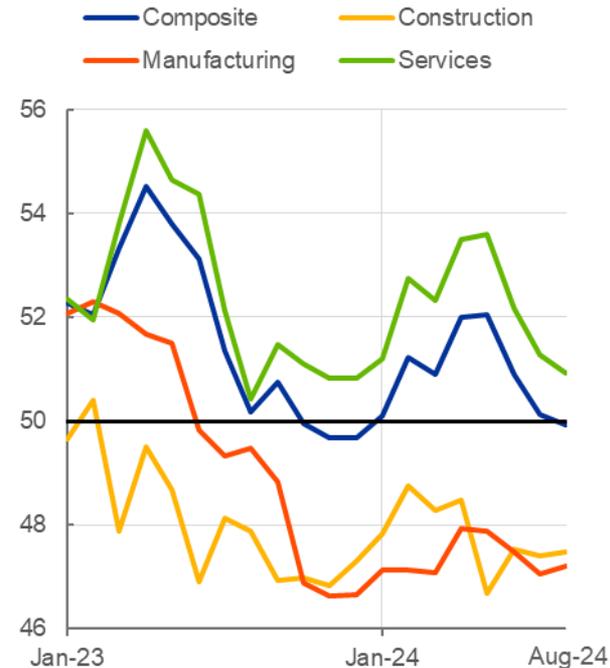
Sources: Eurostat and Indeed.

Note: Q3 2024 estimated based on the unemployment rate and Indeed job postings for July.

Latest observation: Q3 2024.

PMI employment

(diffusion index)



Source: S&P Global.

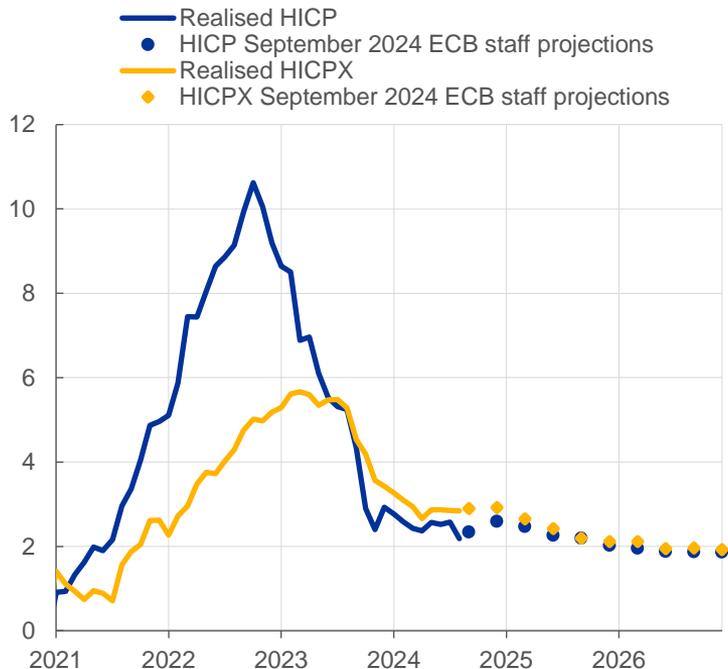
Note: A level of 50 indicates no change.

Latest observation: August 2024

Recent inflation developments and short-term outlook

Headline inflation, core inflation and ECB staff projections

(annual percentage changes)

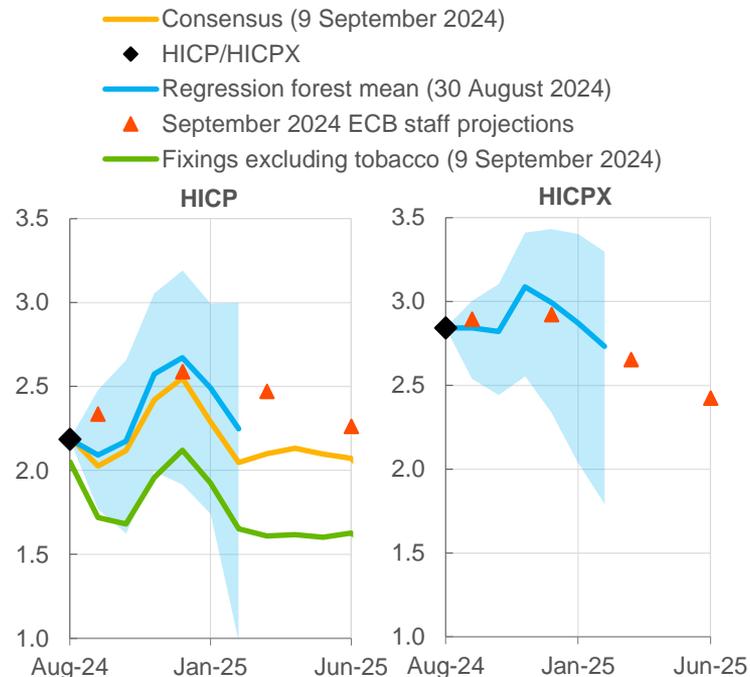


Sources: Eurostat, and ECB staff macroeconomic projections.

Notes: Harmonised Index of Consumer Prices (HICP) refers to headline inflation and HICPX to HICP excluding food and energy. Realised HICP and HICPX are at a monthly frequency, and HICP and HICPX projections are at a quarterly frequency. Latest observation: August (flash estimate) 2024.

Short-term forecasts for HICP and HICPX

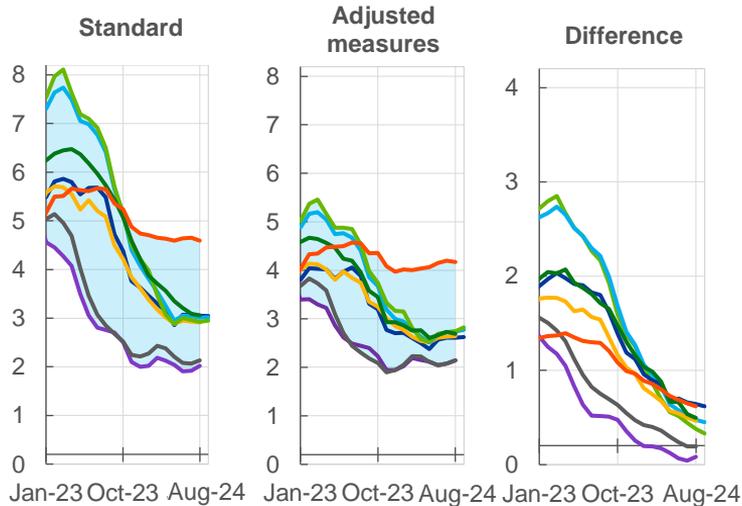
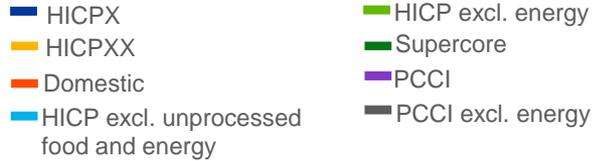
(annual percentage changes)



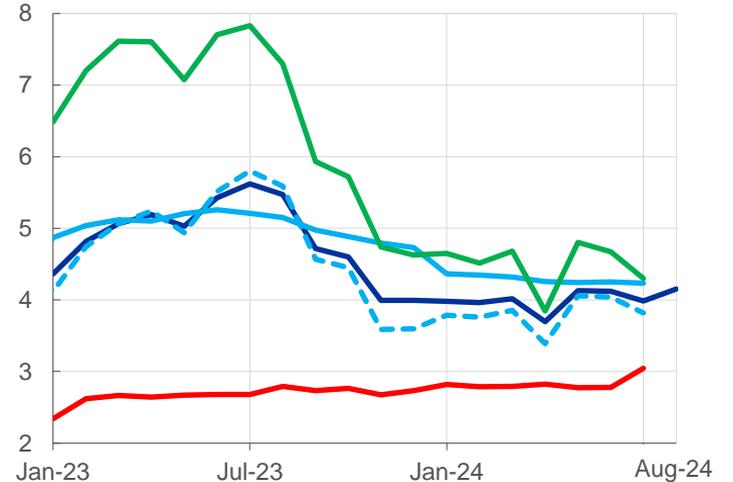
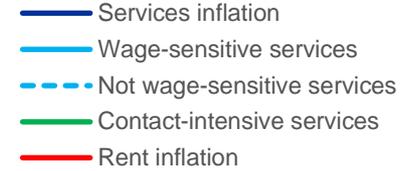
Sources: Eurostat, September 2024 ECB staff projections, Consensus Economics, Bloomberg and ECB calculations. Notes: Quantile Regression Forest estimates are from [Lenza, Moutachaker and Paredes \(2023\)](#). The HICP fixings are observed market prices. Latest actual observation: August (flash estimate) 2024.

Underlying inflation and services inflation

Measures of underlying inflation (annual percentage changes)



Services inflation developments (annual percentage changes)



Sources: Eurostat and ECB calculations.

Notes: The “adjusted” measures abstract from energy and supply-bottleneck shocks using a large SVAR, see [Banbura, Bobeica and Martínez-Hernández, \(2023\)](#). The latest observations are for August 2024 (flash estimate) for HICPX, HICP excl. energy and HICP excl. unprocessed food and energy and July 2024 for the rest.

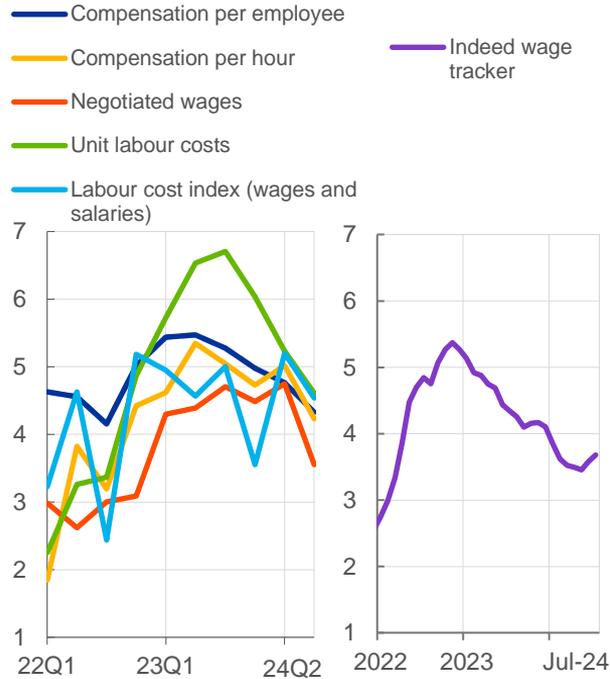
Sources: Eurostat and ECB calculations.

Latest observations: August (flash) 2024 for services, July 2024 for the rest.

Wage pressures

Labour cost indicators and Indeed wage tracker

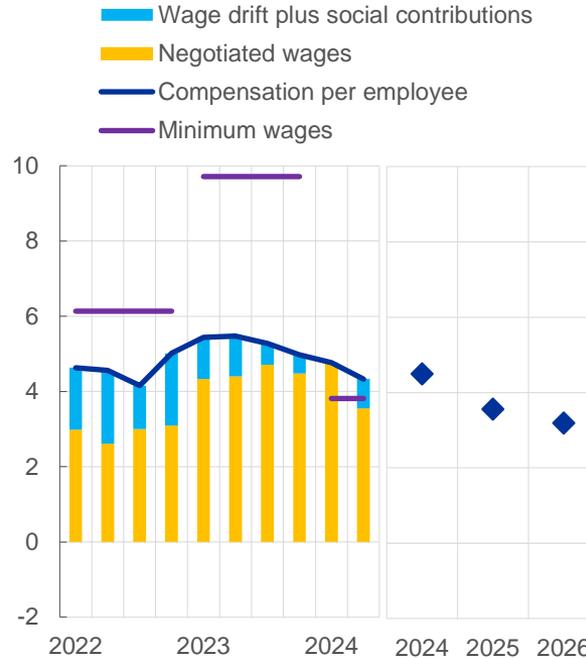
(annual percentage changes)



Sources: Eurostat, Central Bank of Ireland and ECB calculations.
Latest observations: July 2024 for the Indeed wage tracker and Q2 2024 for the rest.

Decomposition of compensation per employee growth

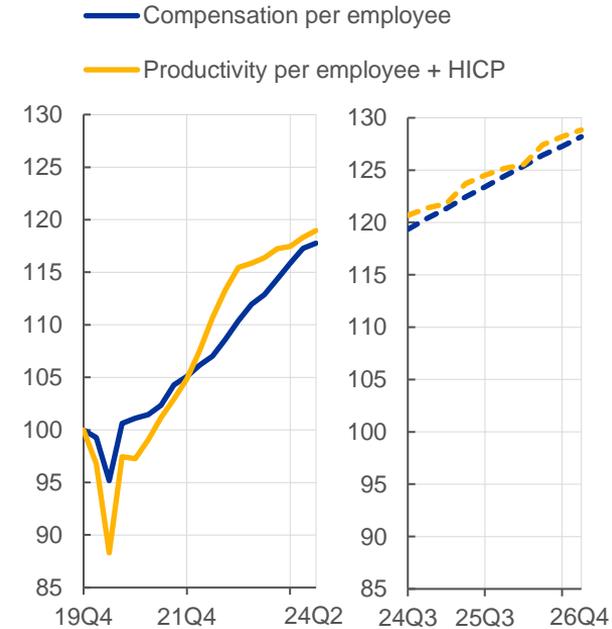
(annual percentage changes, percentage point contributions)



Sources: Eurostat, ECB staff macroeconomic projections for the euro area, September 2024 and ECB calculations.
Notes: The diamonds on the right panel are projections based on the September 2024 projections.
Latest observation: Q2 2024.

Euro area wage growth compared to productivity plus inflation benchmarks

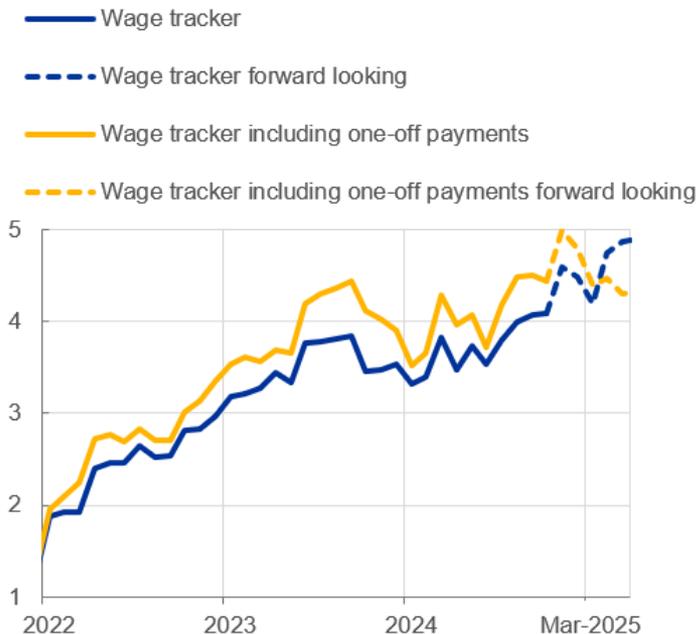
(Index, Q4 2019=100)



Sources: Eurostat, September 2024 MPE and ECB calculations.
Latest observation: Q2 2024

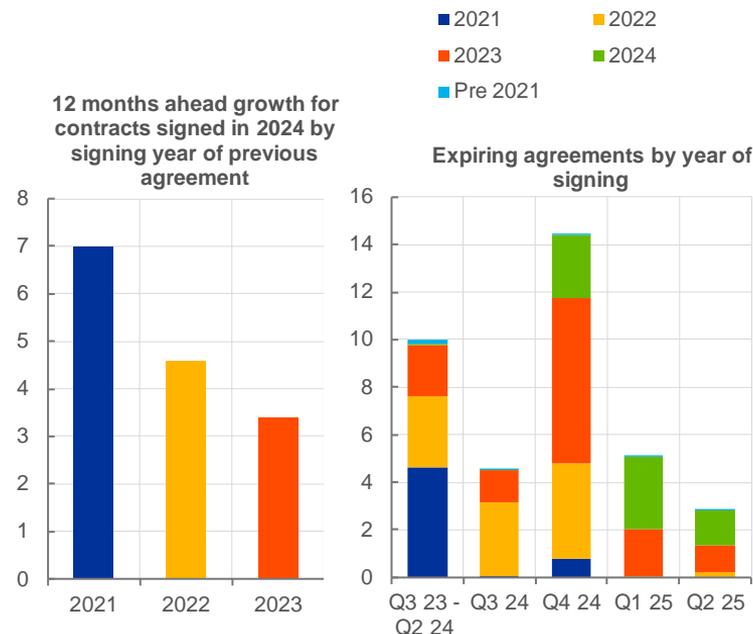
Euro area wage tracker

(annual percentage changes and percentages)



Latest and expiring agreements by signing dates

(left panel: annual percentage changes and percentages; right panel: millions of workers)



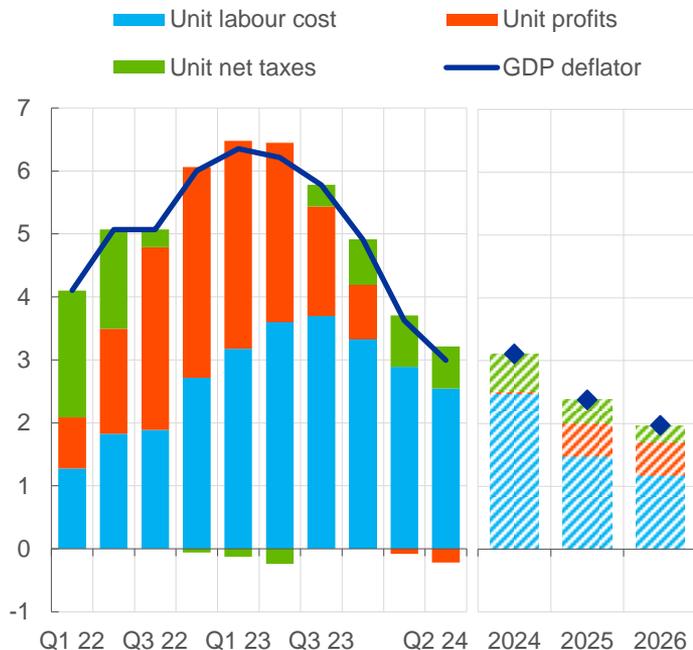
Sources: Calculated based on micro data on wage agreements provided by Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Osterreichische Nationalbank, Bank of Greece, Banca d'Italia, and Banque de France. Notes: Euro area aggregate based on DE, FR, IT, ES, NL, AT, GR, as of September 2024. One-off payments are spread over 12 months from the agreed disbursement date – smoothing the impact of one-off payments on wage growth. Latest observations: March 2025 for the ECB wage tracker.

Sources: Calculated based on micro data on wage agreements provided by Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Osterreichische Nationalbank, Bank of Greece, Banca d'Italia, and Banque de France. Notes: Euro area aggregate based on DE, FR, IT, ES, NL, AT, GR, as of September 2024. LHS: 12 months ahead structural wage growth by the year of signing of the preceding agreement. RHS: Number of workers under expiring agreements by signing year of the preceding agreement. Latest observation: Q2 2025.

GDP deflator and value added deflator

GDP deflator

(annual percentage changes and percentage point contributions)



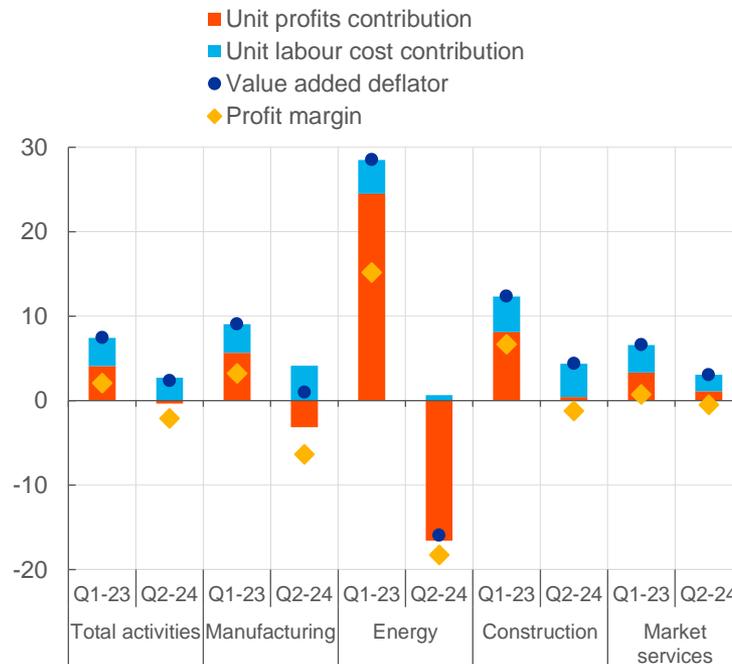
Sources: Eurostat, September MPE and ECB calculations.

Notes: Unit taxes reflect taxes minus subsidies. When the contribution of subsidies on products is larger than the contribution of indirect taxes, the unit tax contribution turns negative.

Latest observation: Q2 2024.

Value added deflator and profit margins by economic sectors

(annual percentage changes and percentage point contributions)



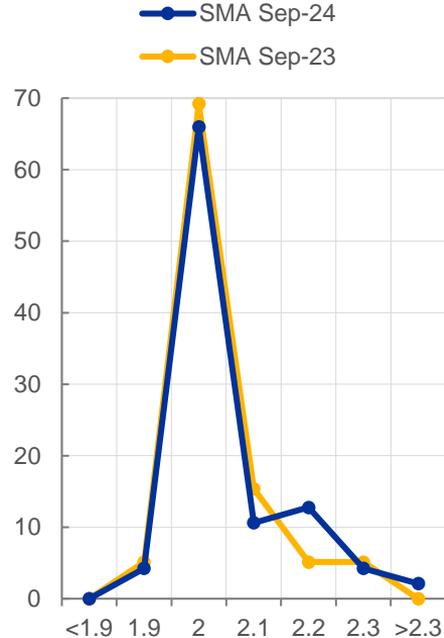
Sources: Eurostat and ECB calculations.

Latest observation: Q2 2024.

Inflation expectations

SMA: distribution of long run inflation expectations

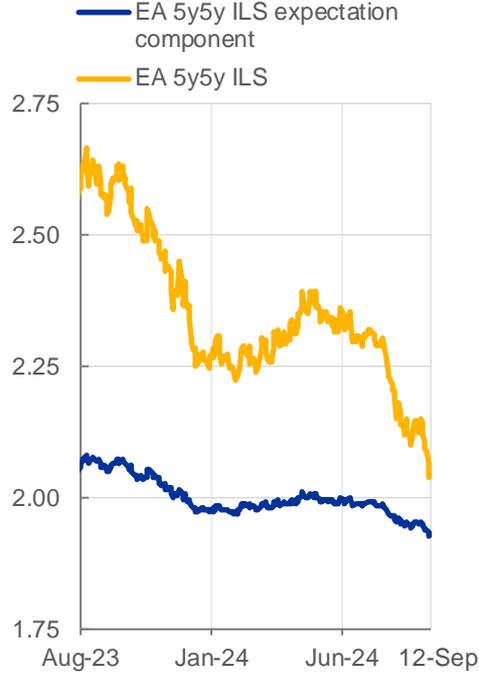
(percentage of respondents)



Source: ECB Survey of Monetary Analysts (SMA).
Note: Vertical axis shows percent of respondents; horizontal axis shows the HICP inflation rate.
Latest observation: September 2024.

Euro area inflation-linked swap rates

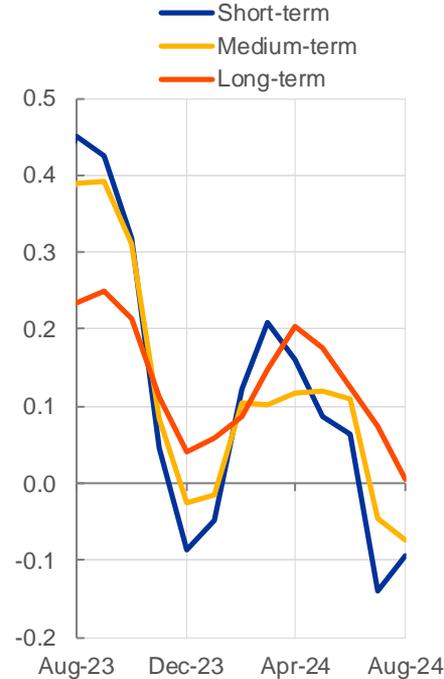
(percentages per annum, index)



Sources: LSEG, Bloomberg and ECB calculations.
Notes: Premia-adjusted forward ILS rates are an average of estimates from two affine term structure models as in Joslin, Singleton and Zhu (2011) applied to ILS rates non-adjusted for the indexation lag; see Burban et al. (2022).
Latest observation: 12 September 2024.

Balance of risks to euro area inflation

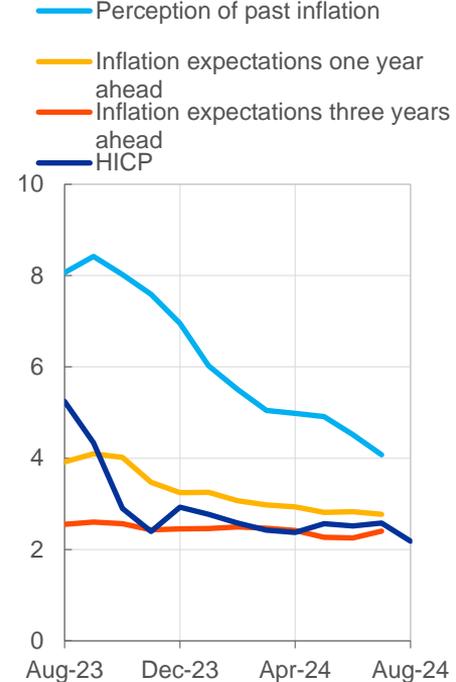
(percentage points/100)



Sources: Bloomberg and ECB calculations.
Notes: The balance of risks is defined as the difference between the options-implied risk-neutral probability of average inflation being above vs. below 2% over the lifetime of the option contract (see Garcia et al., 2024).
Latest observation: August 2024.

ECB consumer expectations survey

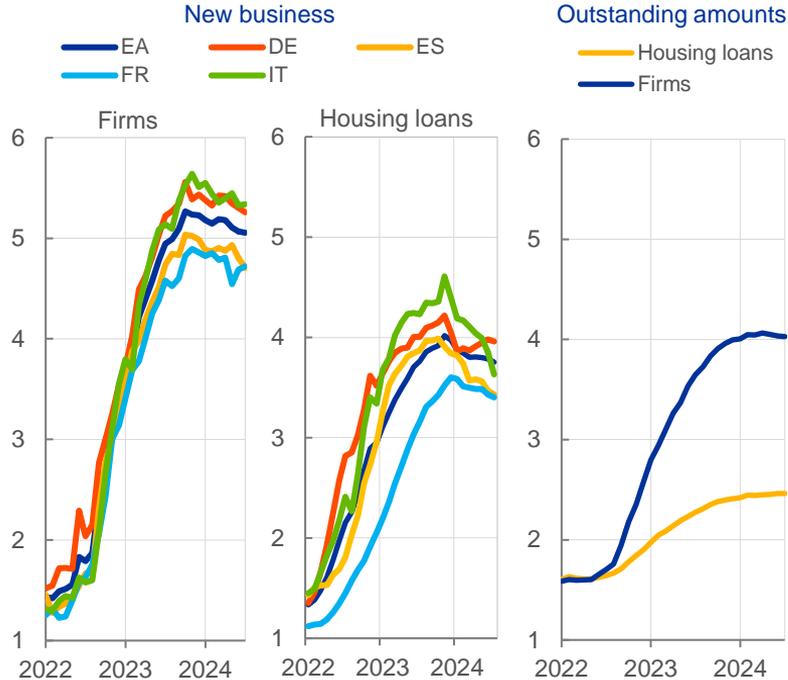
(annual percentage changes)



Source: ECB Consumers Expectation Survey (CES).
Note: The series refer to the median value.
Latest observation: August (flash) 2024 for HICP, July 2024 for the rest.

Lending to firms and households

Lending rates (percentages per annum)



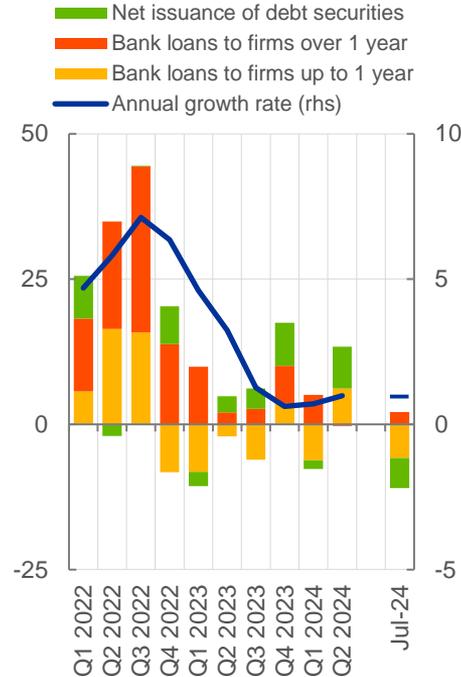
Sources: ECB (MIR) and ECB calculations.

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

Latest observations: July 2024.

Firm debt financing

(lhs: average monthly flows in EUR bn;
rhs: percentage changes)



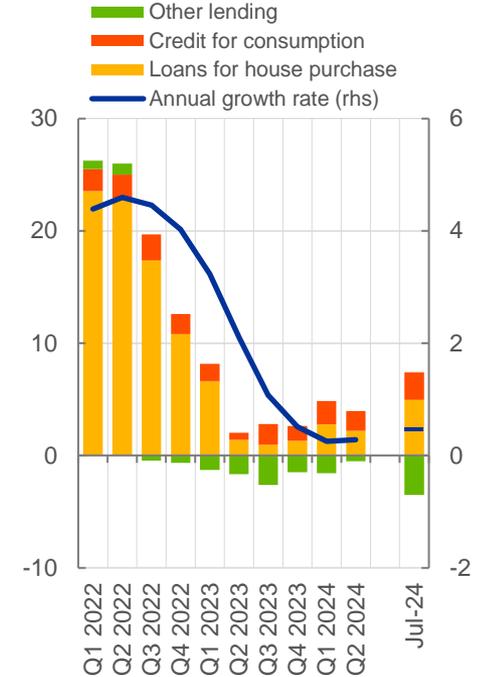
Sources: ECB (BSI, CSEC) and ECB calculations

Notes: The seasonal adjustment for the net issuance of debt securities is not official. MFI loans are adjusted for sales, securitisation and cash pooling.

Latest observation: July 2024.

Bank loans to households

(lhs: average monthly flows in EUR bn;
rhs: percentage changes)



Sources: ECB (BSI) and ECB calculations.

Note: MFI loans are adjusted for sales, securitisation and cash pooling.

Latest observation: July 2024.