



EUROPEAN CENTRAL BANK

EUROSYSTEM

Background slides to opening remarks

ECB-IMF-IMFER Conference
Frankfurt am Main

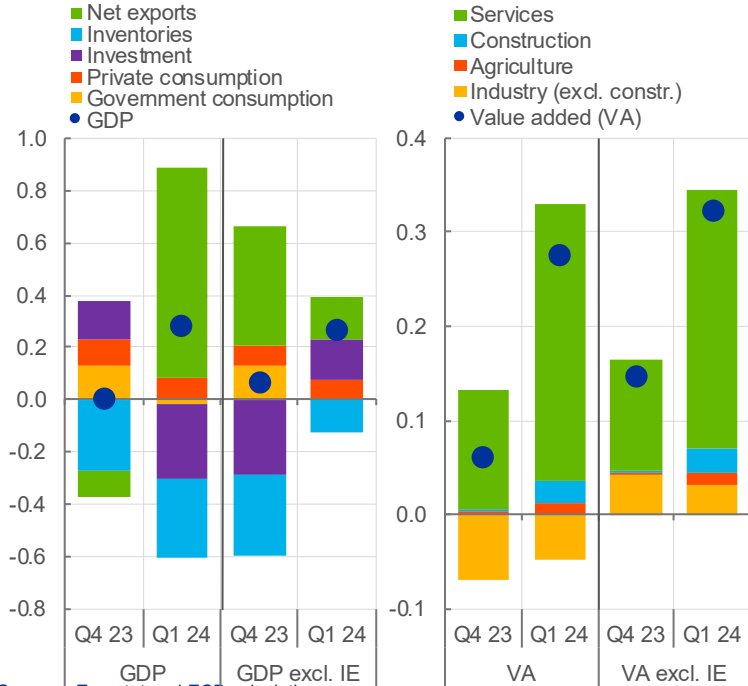


23 July 2024

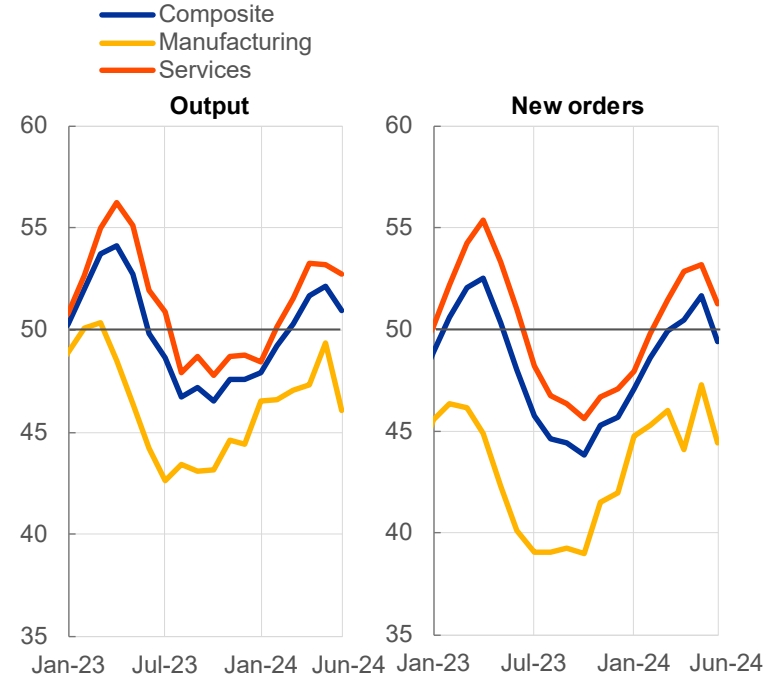
Philip R. Lane
Member of the Executive Board

GDP: expenditure and production side (q-o-q percentage changes, pp contributions)

PMI indicators (diffusion indices)



Sources: Eurostat and ECB calculations.
Latest observation: Q1 2024.



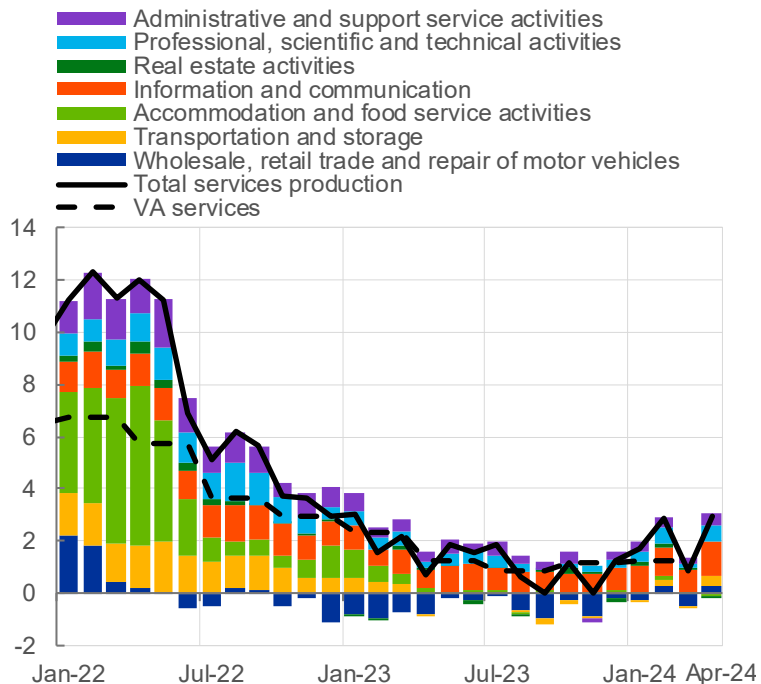
Source: S&P Global.

Latest observation: June 2024.

Developments in services sector

Services production

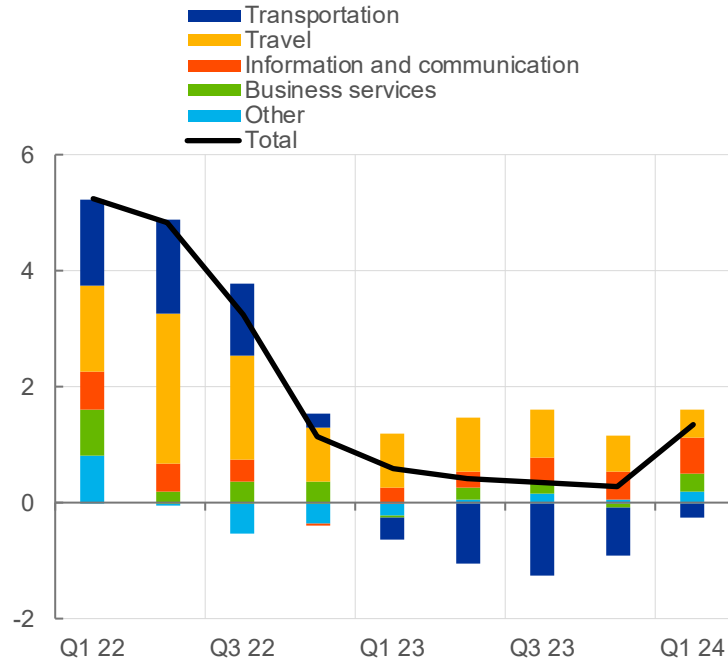
(y-o-y percentage changes, pp contributions)



Source: Eurostat.
Latest observation: April 2024.

Sectoral decomposition of growth in euro area services exports volumes

(y-o-y percentage changes, pp contributions)



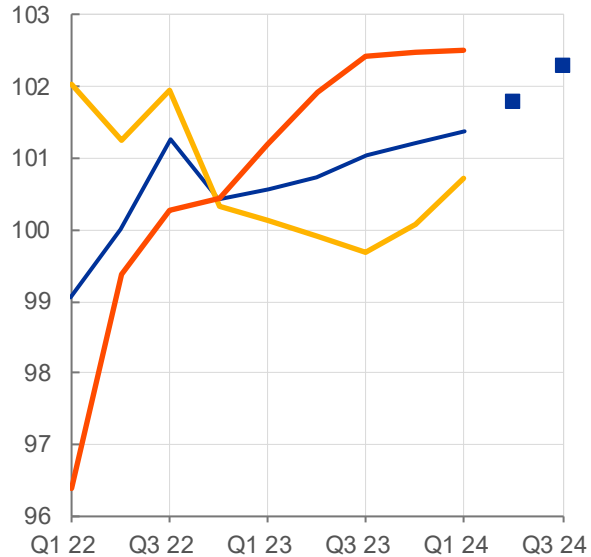
Sources: Eurostat and ECB staff calculations.
Notes: Volumes are calculated by employing the overall services exports deflator.
Latest observation: Q1 2024.

Private consumption, savings and consumer confidence

Private consumption

(index: Q4 2019 = 100)

— Private consumption
— Goods
— Services

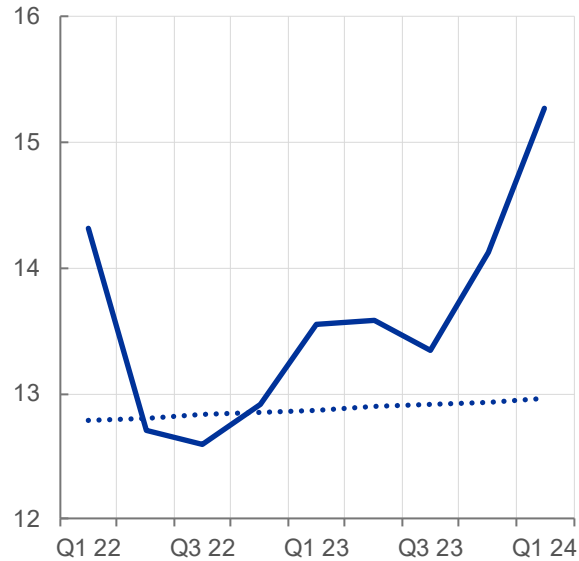


Sources: Eurostat, Eurosystem staff macroeconomic projections (June) and ECB calculations.
Note: data based on country aggregation of domestic household consumption and June projections for euro area private consumption growth for Q2-Q3 2024.
Latest observation: Q1 2024.

Household savings

(percentages)

— Savings ratio
..... Trend

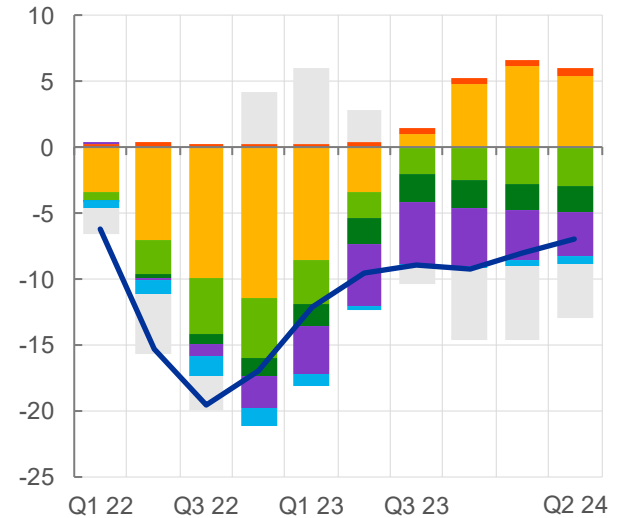


Sources: Eurostat and ECB calculations.
Note: Trend savings are based on the extrapolated 2015-2019 linear trend for household savings in EUR, scaled in percent of trend disposable income, as in [N. Battistini and J. Gareis \(2023\)](#).
Latest observation: Q1 2024.

Model-based drivers of consumer confidence

(balance indicator, pp contributions since Q4 2021)

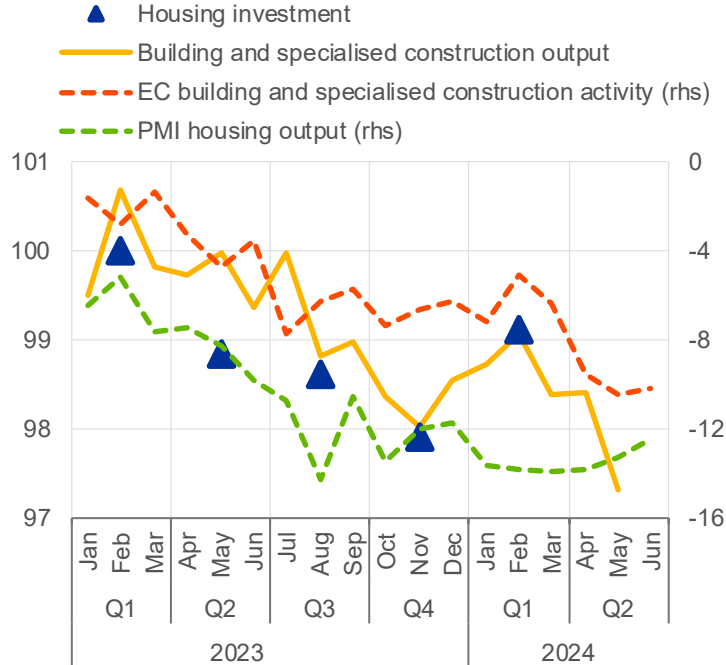
Residual
House price inflation
Consumer uncertainty
Inflation rate
Equity prices
Mortgage rate
Unemployment rate
Consumer confidence



Sources: Eurostat, European Commission, Eurosystem staff macroeconomic projections (June) and ECB calculations.
Notes: Results of the Yellen decomposition, where consumer confidence is regressed on a constant, its first two lags, contemporaneous inflation rate, unemployment rate, mortgage rate, annual change in equity prices, house price inflation and household unemployment expectations (next 12 months) as proxy for consumer uncertainty. The model is estimated over Q1 2003 to Q4 2019. Latest observation: Q2 2024.
www.ecb.europa.eu

Housing investment and short-term indicators

(lhs: Q1 2023 = 100; rhs: balance indicator, diffusion index)



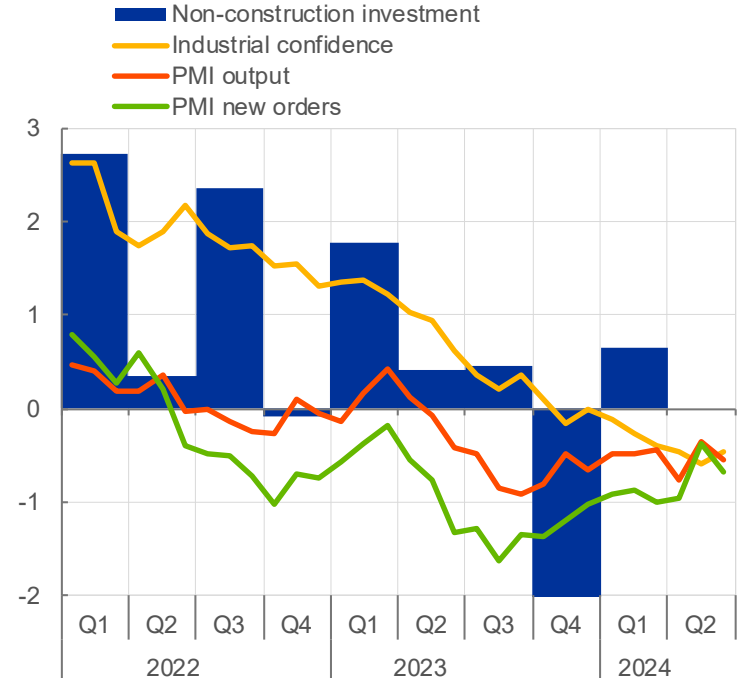
Sources: Eurostat, European Commission, S&P Global and ECB calculations.

Note: The PMI diffusion index is demeaned by 50.

Latest observations: investment: Q1 2024; production: May 2024; PMI and European commission: June 2024.

Business investment and indicators for capital goods

(q-o-q percentage changes, balance indicator, diffusion indices)



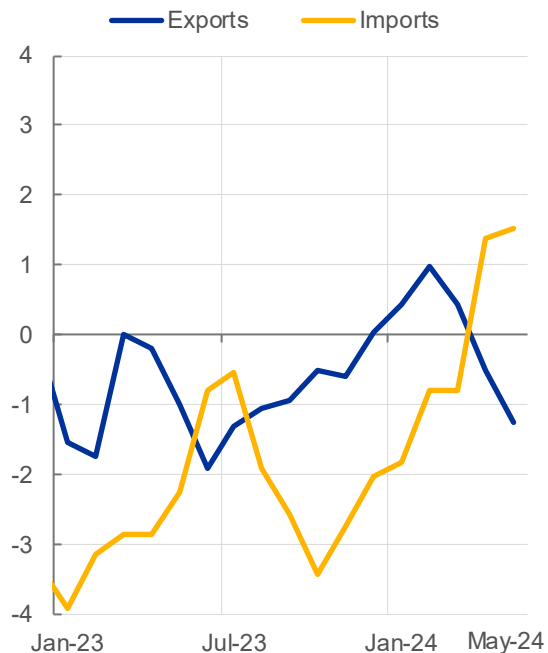
Sources: Eurostat, European Commission, S&P Global and ECB calculations.

Notes: Euro area investment is excluding Irish intangibles. Confidence is normalised for pre-pandemic mean and SD; PMIs are deviation from growth threshold and divided by 10. Latest observations: investment: Q1 2024, PMI and European Commission: June 2024.

Euro area trade and FDI

Goods trade volumes

(3m-o-3m % change)



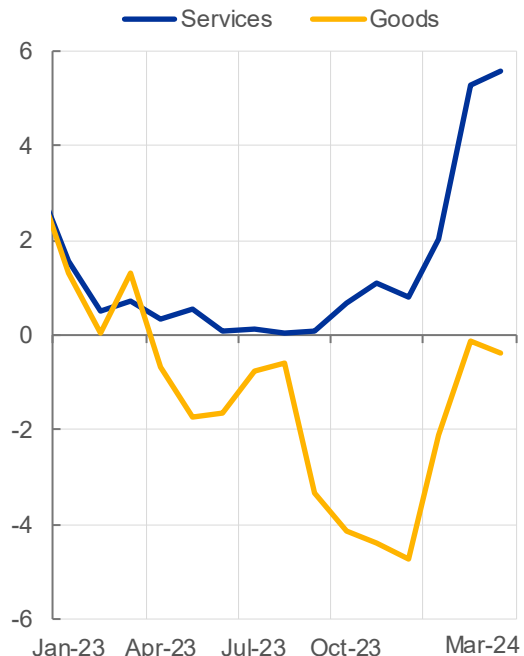
Source: Eurostat and ECB staff calculations.

Notes: Data are seasonally adjusted. Export and import volume for May are approximated by deflating values with industrial export and import prices.

Latest observation: May 2024.

Goods and services exports

(y-o-y % changes, 3-month moving average)



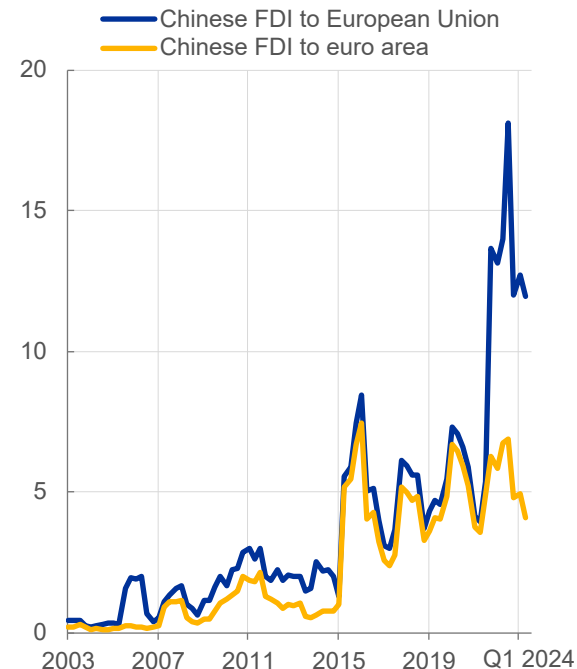
Sources: Eurostat and ECB staff calculations.

Note: Extra-euro area exports from Balance of Payments are deflated using prices of intra-euro area plus extra-euro area exports from National Accounts.

Latest observation: March 2024.

Announced Chinese greenfield FDI

(4-quarter sum, billion euro)

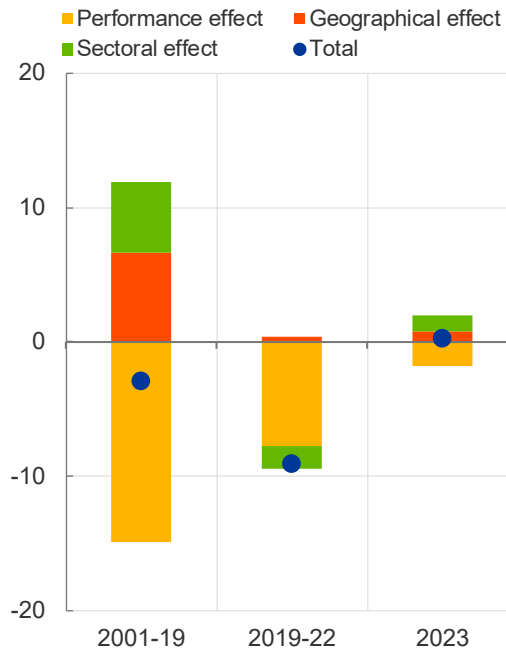


Source: fDi Markets.

Latest observation: Q1 2024.

Contribution to euro area export market shares

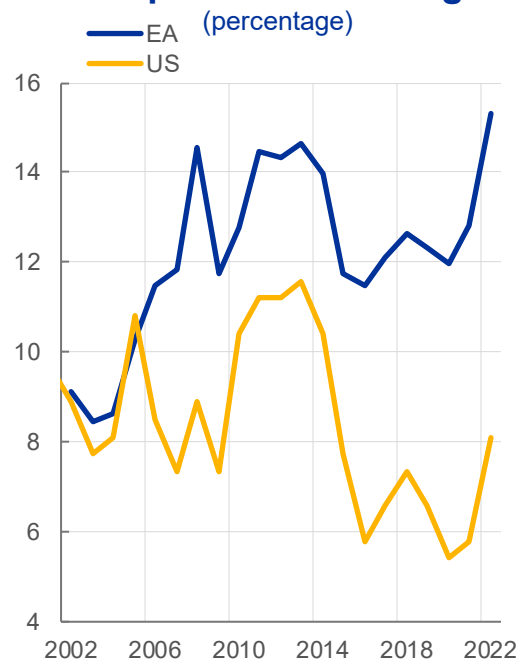
(percentages)



Sources: TDM and UNCTAD. Notes: Shift-share decomposition following [Chaptea et al. \(2014\)](#). Figures are expressed in terms of percentage change in market shares, which consider only the intensive margin and exclude energy and other specific and non-classified products (HS2 sectors 25, 26, 27, 97, 98, 99). Performance effect captures all price and non-price competitiveness factors besides sectoral and geographic composition of export baskets.

Share of sectors where EA/US and China both display high comparative advantage

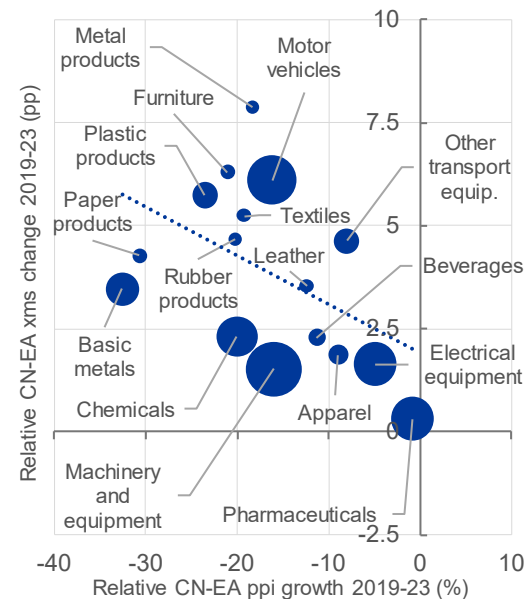
(percentage)



Sources: UNCTAD and ECB staff calculations. Notes: The chart displays the % of sectors with revealed comparative advantage (RCA) >1 in both EA and CN (blue), and in both US and CN (yellow). A country is considered to have RCA in a given product when the ratio of its exports of product to its total exports of all goods exceeds the same ratio for the world as a whole. 259 sectors are being considered for each year. Latest obs.: 2022. 6

Euro area vs China: relative prices and export market share

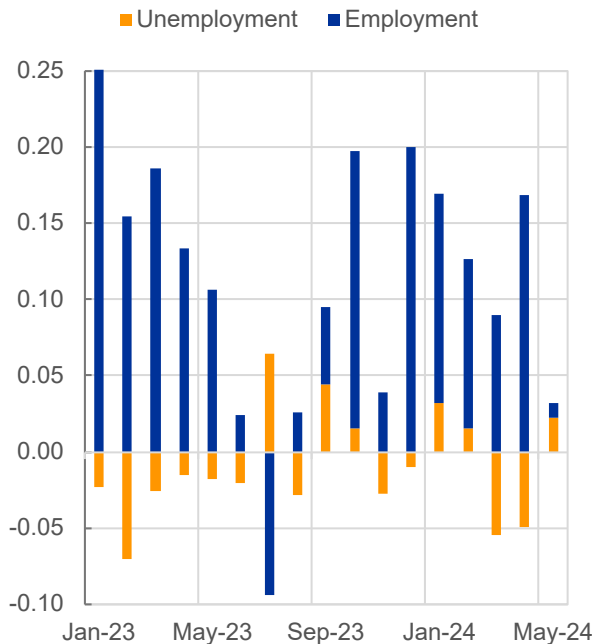
(x-axis: percentages; y-axis: percentage points)



Sources: Haver, TDM and ECB staff calculations. Notes: Nominal export market shares. The sectors food and wood are excluded from the scatterplot. Size of bubbles based on share of each sector in total extra euro area exports in 2023.

Contributions to the labour force

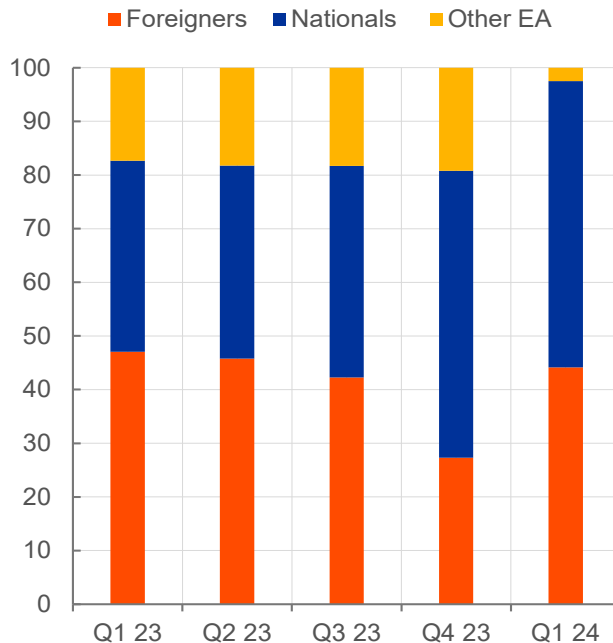
(m-o-m % contributions)



Sources: Eurostat and ECB staff calculations.
 Note: Contributions calculated from monthly unemployment data.
 Latest observation: May 2024.

Migration and labour force

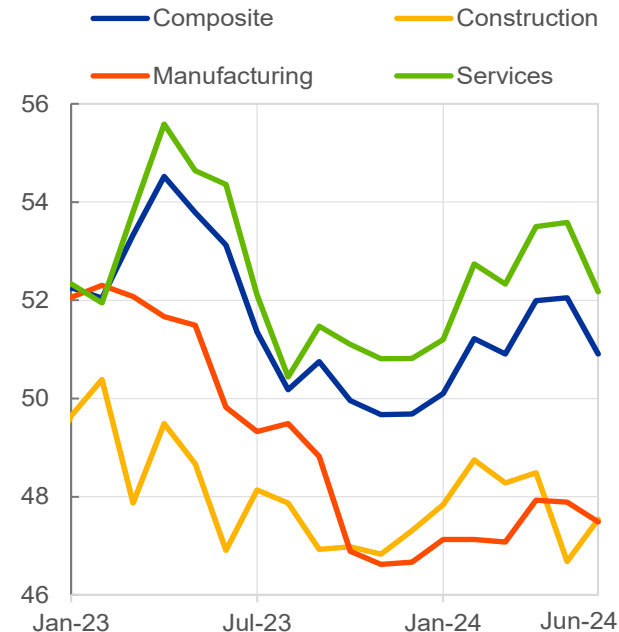
(% contribution to year-on-year growth)



Sources: Eurostat and ECB staff calculations.
 Note: Contributions of foreigners, nationals and other EA to the total labour force growth with respect to the same quarter of previous year.
 Latest observation: Q1 2024.

PMI employment

(diffusion index)

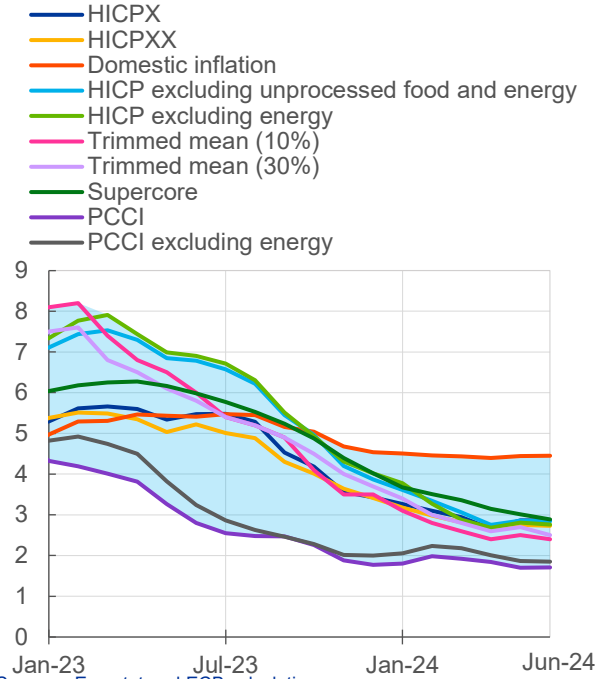


Source: S&P Global.
 Note: A level of 50 indicates no change.
 Latest observation: June 2024.

Underlying inflation and inflation momentum

Measures of underlying inflation

(annual percentage changes)



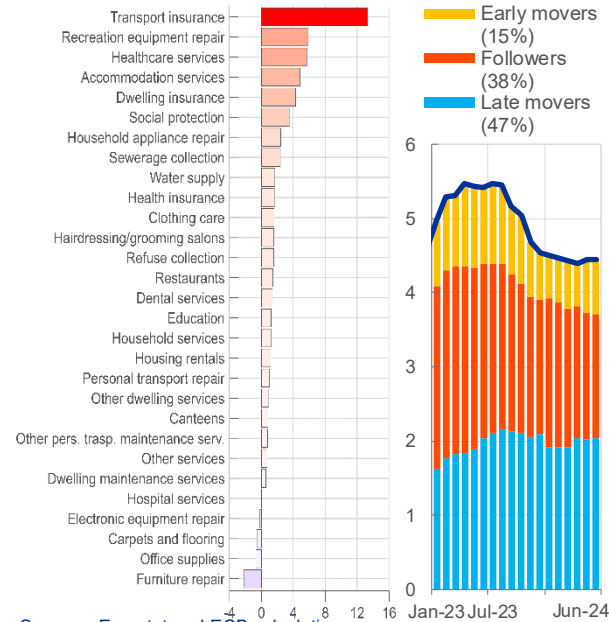
Sources: Eurostat and ECB calculations.

Notes: HICP refers to headline inflation, HICPX to HICP excluding food and energy, HICPXX to HICP excluding food, energy, travel-related items and clothing, and PCCI to Persistent and Common Component of Inflation.

Latest observations: June 2024.

Domestic inflation: momentum of items and decomposition into early, follow and late movers

(left: annualised 3m-o-3m percentage changes, right: annual percentage changes and percentage point contributions)



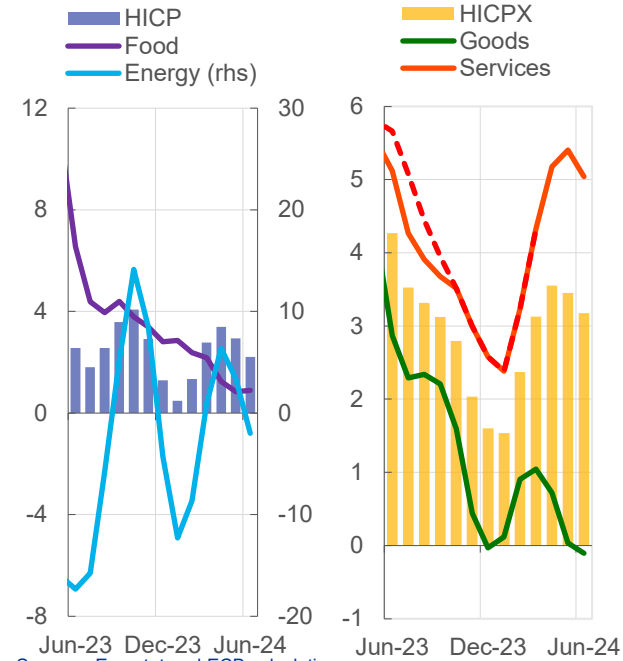
Sources: Eurostat and ECB calculations.

Note: Taxonomy based on "The heterogeneous developments of the components of euro-area core inflation", Box in Banca d'Italia Economic Bulletin No. 4/2023.

Latest observation: June 2024.

Momentum of inflation and its subcomponents

(annualised 3 month-on-3 month percentage changes)

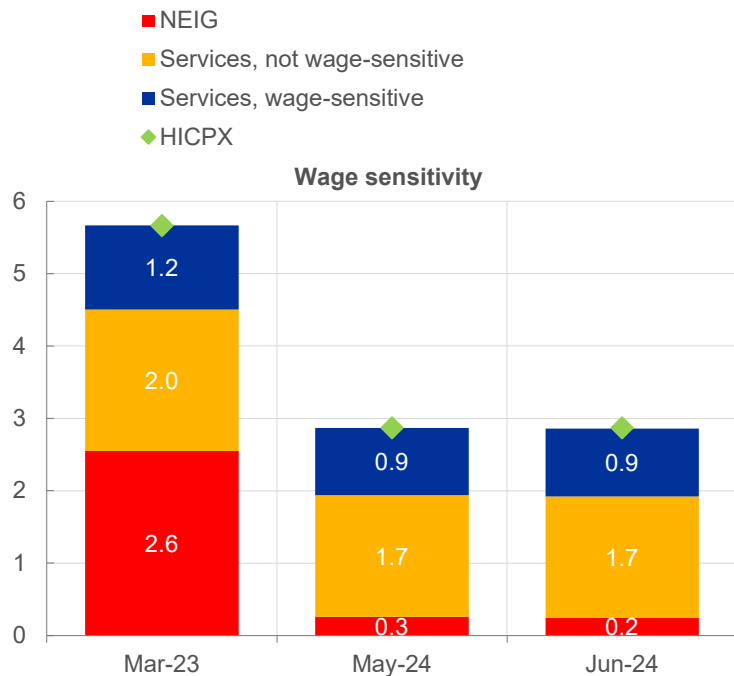


Sources: Eurostat and ECB calculations.

Notes: Calculated using seasonally adjusted data. The dashed red line corresponds to services adjusted for effect of 49-euro ticket introduced in Germany in May 2023. Latest observation: June 2024.

Decomposition of HICPX inflation

(annual percentage changes and percentage point contributions)

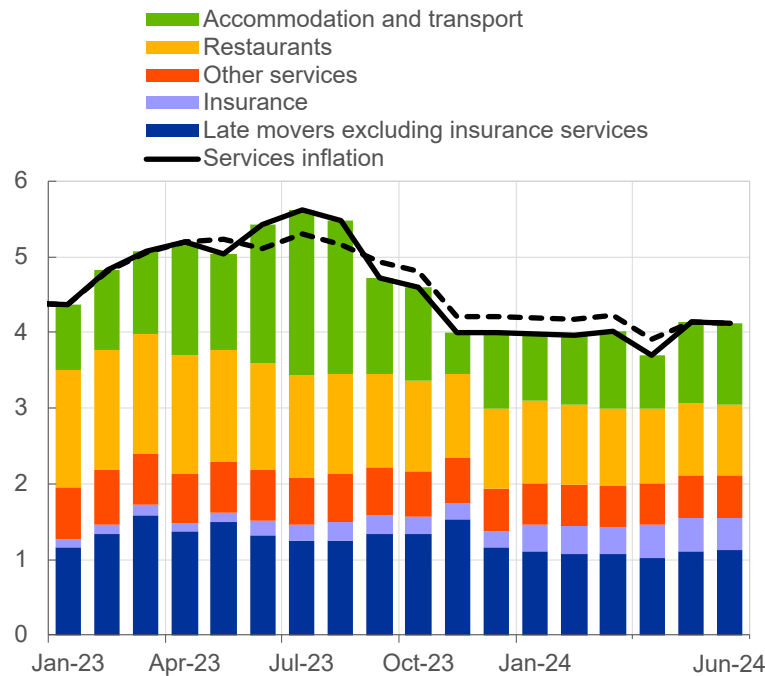


Sources: Eurostat, and ECB calculations.

Notes: Wage-sensitive services items are those with wage costs above 38% of direct input costs. Latest observations: June 2024.

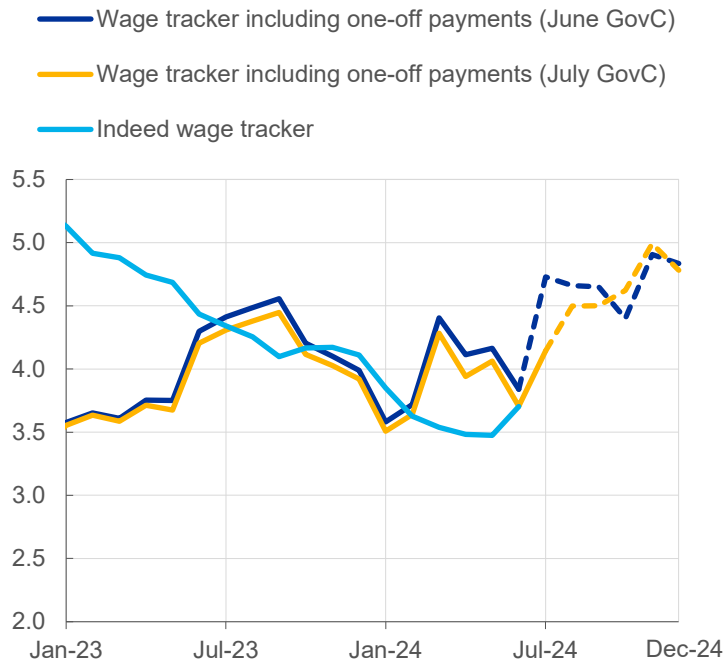
Decomposition of services inflation

(annual percentage changes and percentage point contributions)



Sources: Eurostat and ECB calculations. Notes: Based on F. Panetta (2024): [Monetary policy after a perfect storm: festina lente](#), speech on 26th June 2024, Helsinki. The dashed line shows services inflation corrected for the impact of the 9-euro and the Deutschland tickets. Latest observations: June 2024.

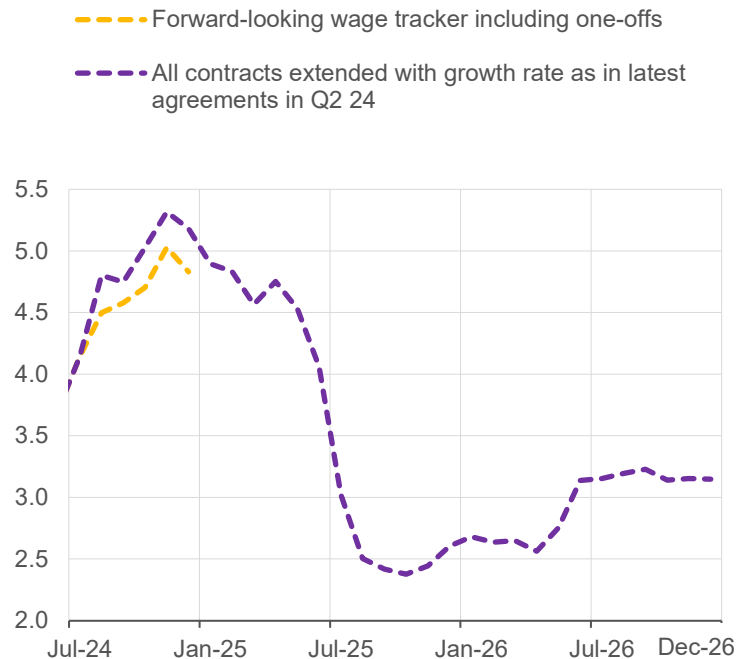
Euro area wage tracker (annual percentage changes)



Sources: Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Österreichische Nationalbank, Bank of Greece, Banca d'Italia, Banque de France, and Indeed.

Notes: Euro area aggregate based on DE, FR, IT, ES, NL, AT, GR, as of July 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: July 2024 for the ECB wage tracker, June 2024 for Indeed wage tracker.

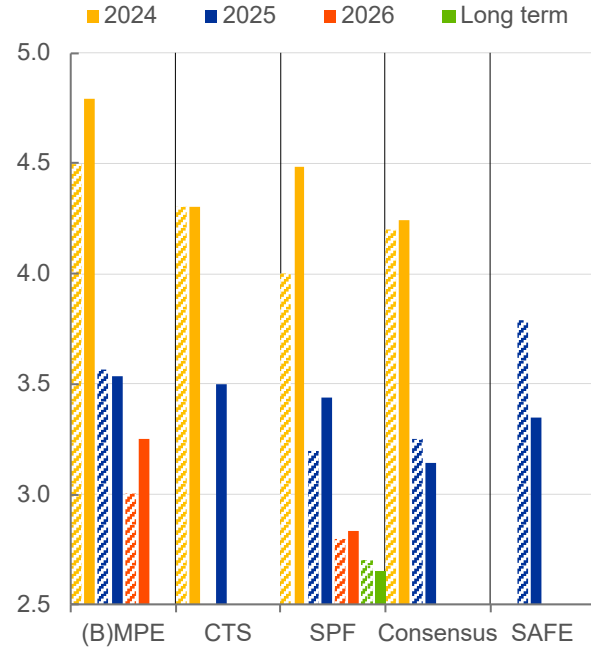
Wage tracker scenario analysis (annual percentage change)



Sources: ECB wage tracker database. Notes: The forward-looking wage tracker, depicted by a yellow dashed line, weights future effects of one-off payments with respect to the total country-specific coverage and not solely active coverage at any point in the future. The purple dashed line indicates the forward-looking wage tracker if all expiring agreements are prolonged with their country-specific growth rates in latest agreements in Q2 2024.

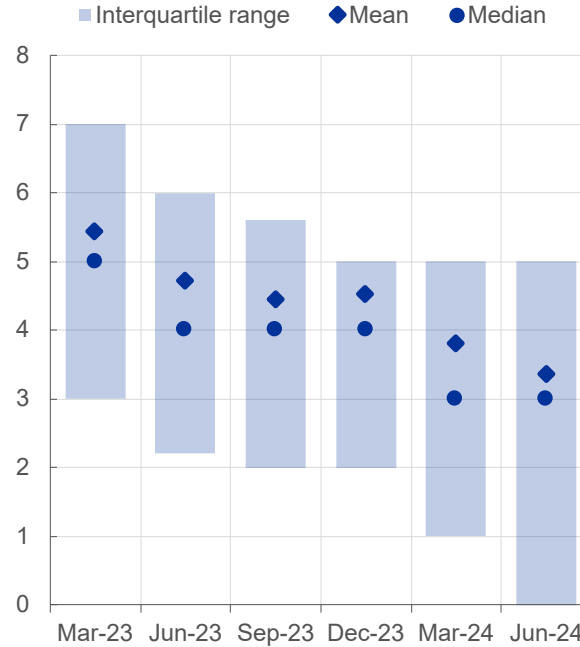
Wages and wage expectations

Survey-based wage expectations (annual percentage changes)



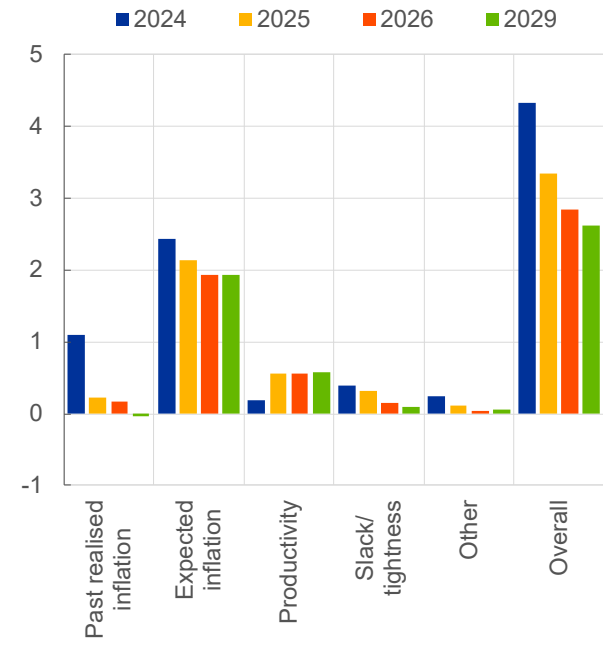
Sources: April and July 2024 for the Corporate Telephone Survey (CTS), Q2 and Q3 2024 for the Survey of Professional Forecasters (SPF), March 2024 and June 2024 (B)MPE, June and July 2024 for Consensus economics and Q1 and Q2 2024 for SAFE. Notes: (B)MPE refers to CPE projections. SAFE wage expectations are for the next 12 months. Shaded bars refer to the previous survey, while the solid bars refer to the last survey.

SAFE: wage costs expectations one year ahead (percentage changes over the next 12 months)



Source: Survey on the Access to Finance of Enterprises (SAFE). Notes: Mean and median euro area firm expectations of changes in wages of current employees for the next 12 months, along with interquartile ranges, using survey weights. The statistics are computed after trimming the data at the country-specific 1st and 99th percentiles. Data for all enterprises. Latest observations: June 2024.

Decomposition of expectations for labour costs (annual percentage changes)

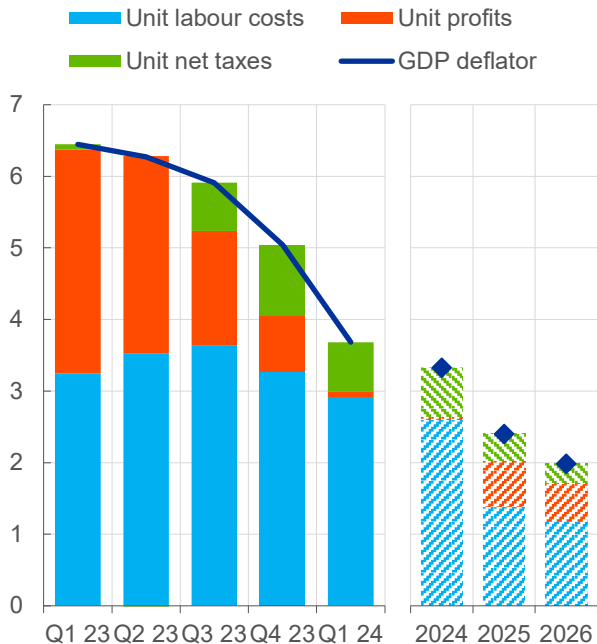


Sources: Q3 2024 for the Survey of Professional Forecasters (SPF). Notes: Based on 13 respondents. Productivity denotes labour productivity.

GDP deflator and unit profits

GDP deflator

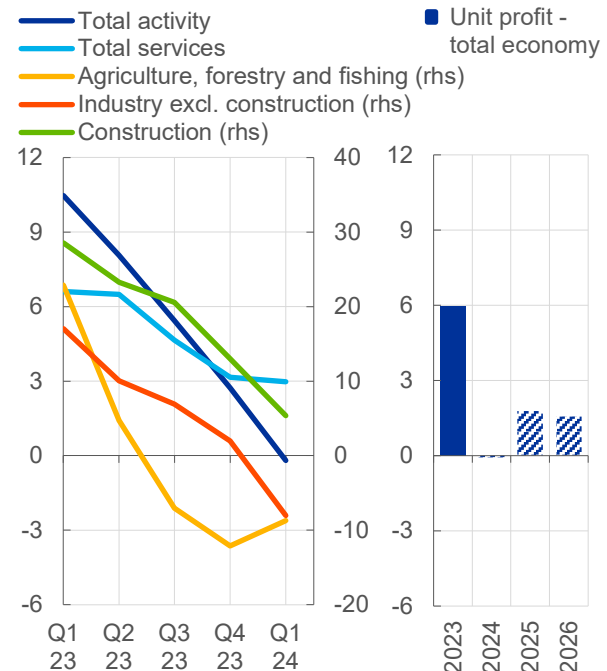
(annual percentage changes and percentage point contributions)



Sources: Eurostat, June 2024 Eurosystem staff macroeconomic projections 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: Q1 2024.

Unit profits by sector

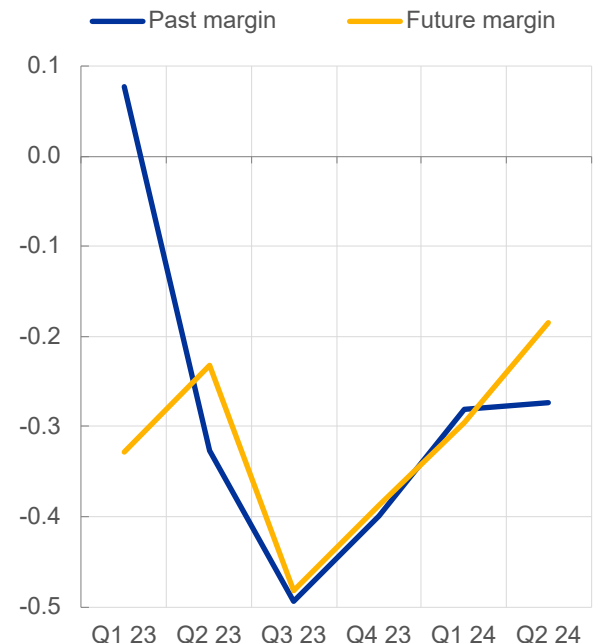
(annual percentage changes)



Sources: Eurostat and ECB calculations.
 Notes: Unit profits calculated from total value added (lhs) differ from those based on GDP (rhs). This can be due to conceptual differences between GDP and value added. Latest observations: Q1 2024.

CTS implied profit margin

(average of survey scores)

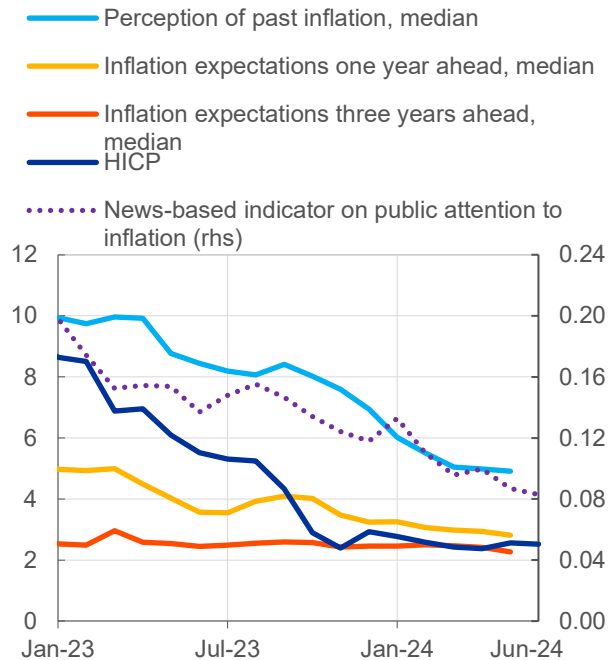


Source: Corporate Telephone Survey (CTS).
 Notes: The score is calculated as "selling price score - 0.5 x input cost score - 0.5 x wage score. Past and future selling and input price scores refer to developments in the previous and next quarters.
 Latest observation: July 2024 CTS.

Inflation expectations

ECB: consumer expectations survey

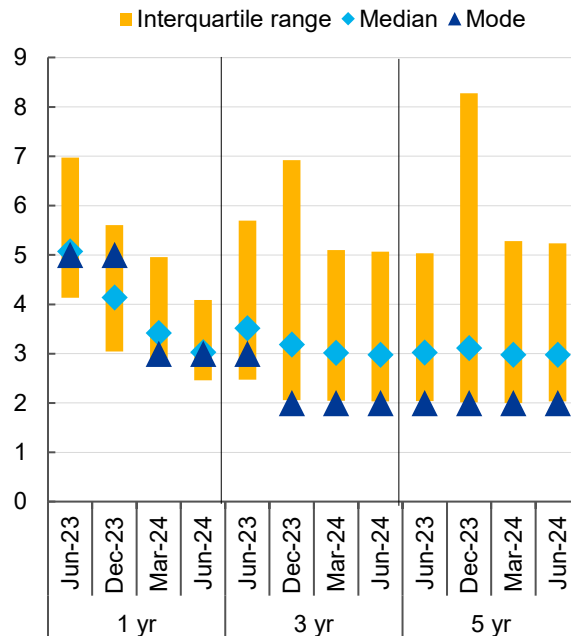
(annual percentage changes)



Sources: Eurostat. ECB CES and ECB calculations based on FACTIVA. Latest observations: June 2024 for HICP and for the news-based indicator, May 2024 for the rest.

Firms' expectations for euro area inflation at different horizons

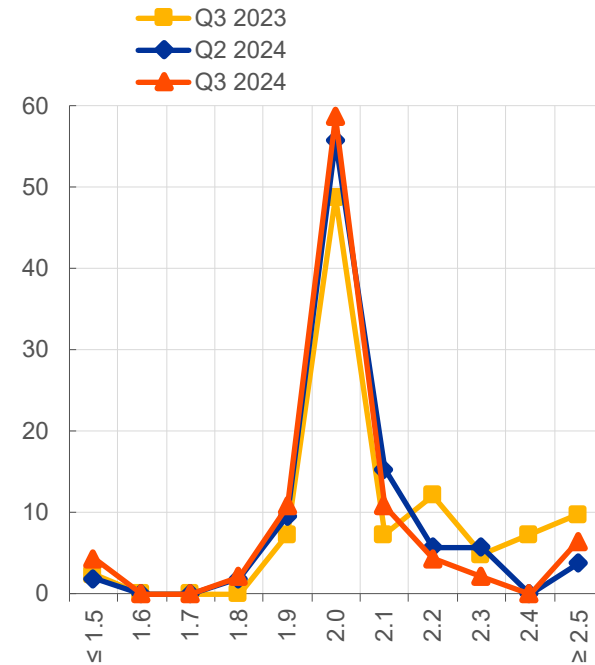
(annual percentages)



Sources: Survey on the Access to Finance of Enterprises (SAFE) and ECB calculations. Notes: Survey-weighted median, mode and interquartile ranges of firms' expectations for euro area inflation in one year, three years and five years. Quantiles are computed by linear interpolation of the mid-distribution function. The statistics are computed after trimming the data at the country-specific 1st and 99th percentiles. Data for all enterprises. Latest observation: June 2024.

SPF: distribution of longer-term inflation expectations

(percent of respondents)

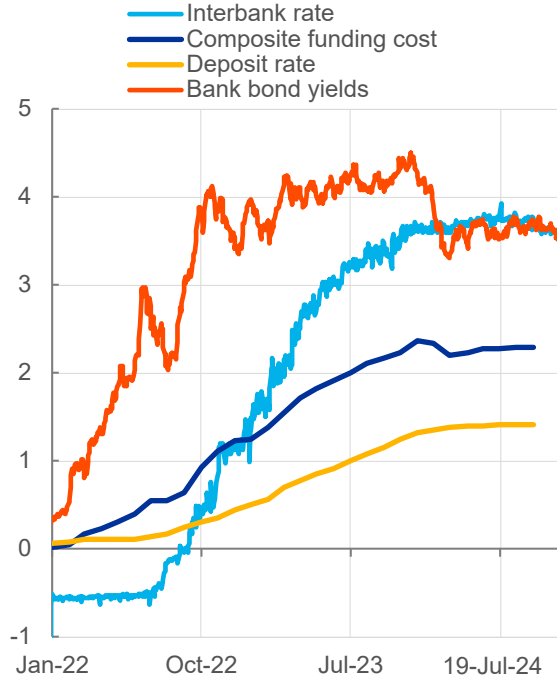


Sources: SPF and ECB calculations. Notes: vertical axis shows percent of respondents; horizontal axis shows the HICP inflation rate. Longer-term expectations refer to 4-5 years ahead. Latest observation: Q3 2024 SPF.

Bank funding costs and lending rates for firms and housing loans

Bank funding costs

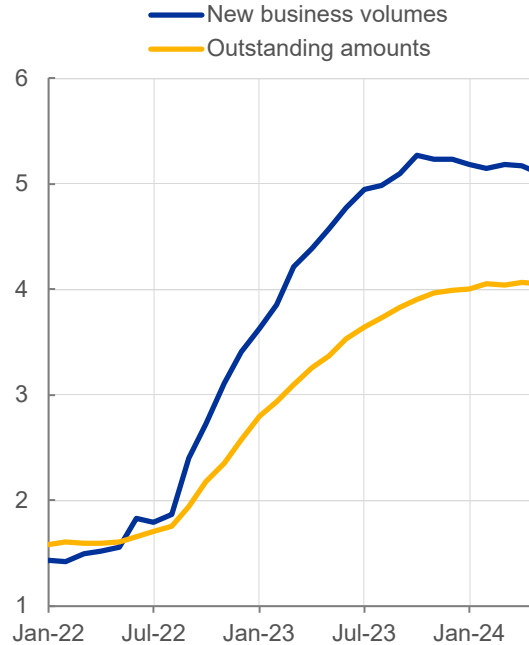
(percentages per annum)



Sources: ECB (BSI, MIR, CSDB, MMSR), S&P Dow Jones Indices LLC and ECB calculations. Notes: Daily bond yields. Monthly new business deposit rates weighted by outstanding amounts. Composite funding costs as weighted average of deposit rates, interbank rates & bond yields, weighted by outstanding amounts. Latest observations: 19 July 2024 for daily data, May 2024 for monthly series.

Lending rates for firms

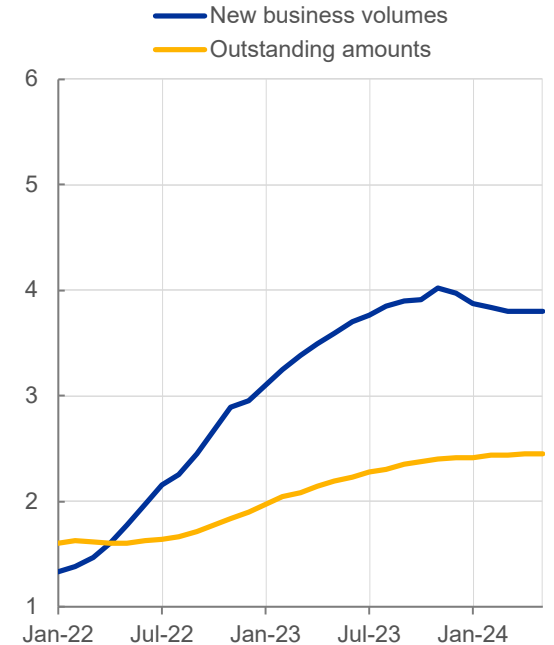
(percentages per annum)



Source: ECB (MIR). Note: Interest rates on new business are equivalent to the indicator for the total cost of borrowing for firms, which is calculated by aggregating short-term and long-term rates on new business using a 24-month moving average of new business volumes. Latest observation: May 2024.

Lending rates for housing loans

(percentages per annum)

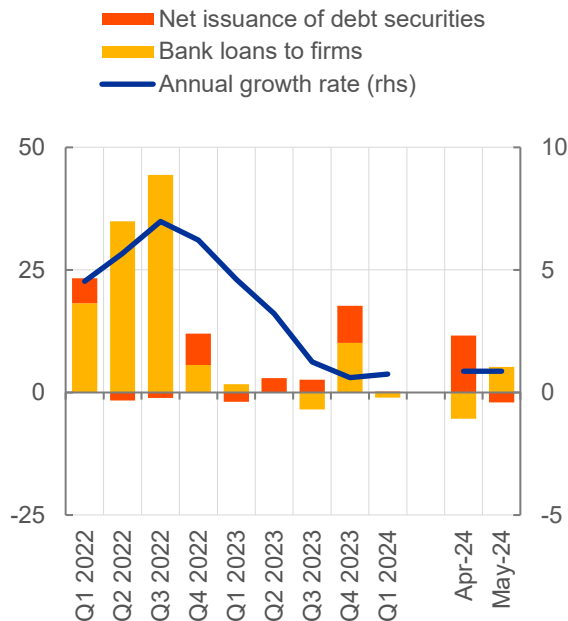


Source: ECB (MIR). Note: Interest rates on new business are equivalent to the indicator for the total cost of borrowing for households for house purchase, which is calculated by aggregating short-term and long-term rates on new business using a 24-month moving average of new business volumes. Latest observation: May 2024.

Firms – net debt financing, credit standards and loan demand

Net debt financing flows of euro area firms

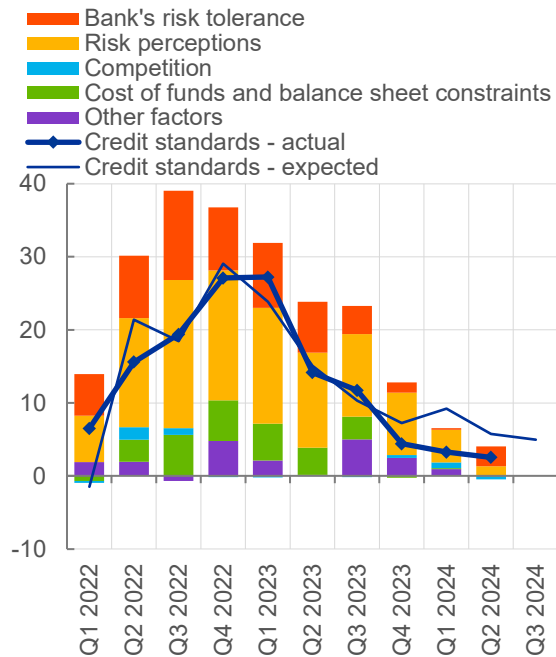
(lhs: average flows over the period in EUR bn;
rhs: annual percentage changes)



Sources: ECB (BSI and 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: May 2024.

Changes in credit standards for loans to firms

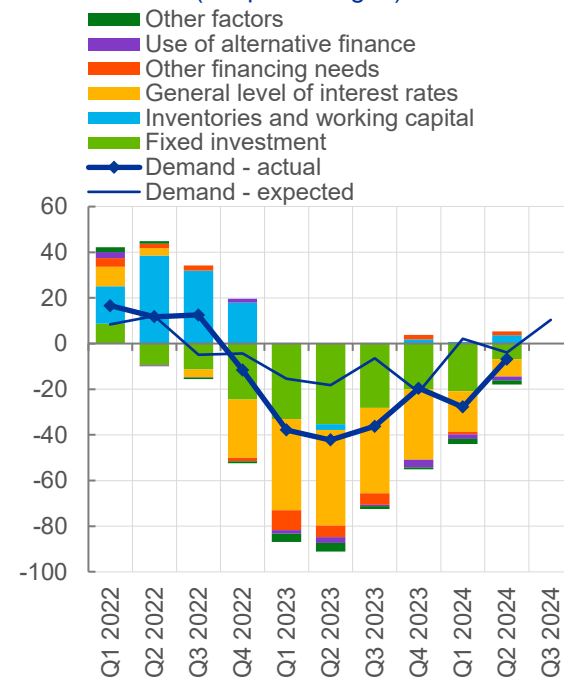
(net percentages)



Source: ECB (BLS).
Note: "Other factors" refer to further factors which were mentioned by banks as having contributed to changes in credit standards.
Latest observation: past until Q2 2024 and expected for Q3 2024.

Changes in demand for loans to firms

(net percentages)

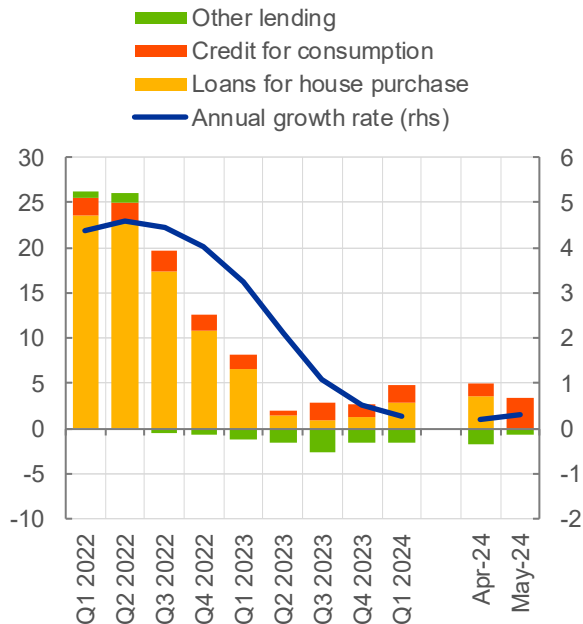


Source: ECB (BLS).
Notes: "Other financing needs" is the average of "M&A and corporate restructuring" and "debt refinancing/restructuring and renegotiation". "Use of alternative finance" is the average of "internal financing", "loans from other banks", "loans from non-banks", "issuance/redemption of debt securities" and "issuance/redemption of equity".
Latest observation: past until Q2 2024 and expected for Q3 2024.

Households - loans to households, credit standards and loan demand

Bank loans to households by purpose

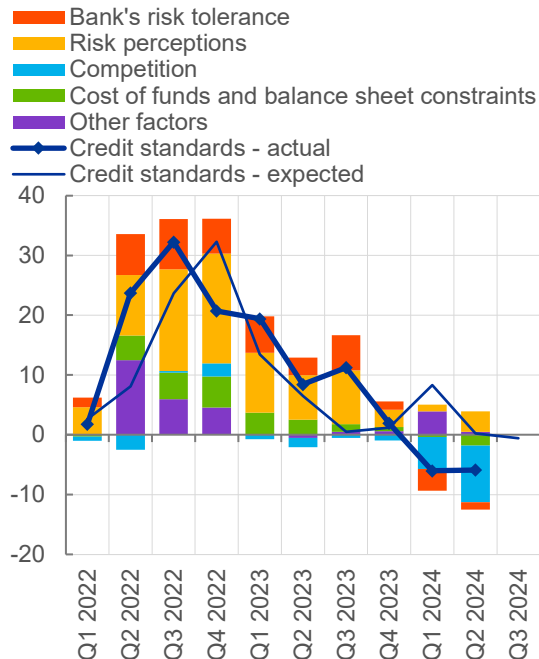
(lhs: average flows over the period in EUR bn;
rhs: annual percentage changes)



Sources: ECB (BSI and CSEC) and ECB calculations.
Note: MFI loans are adjusted for sales and securitisation.
Latest observation: May 2024.

Changes in credit standards for housing loans

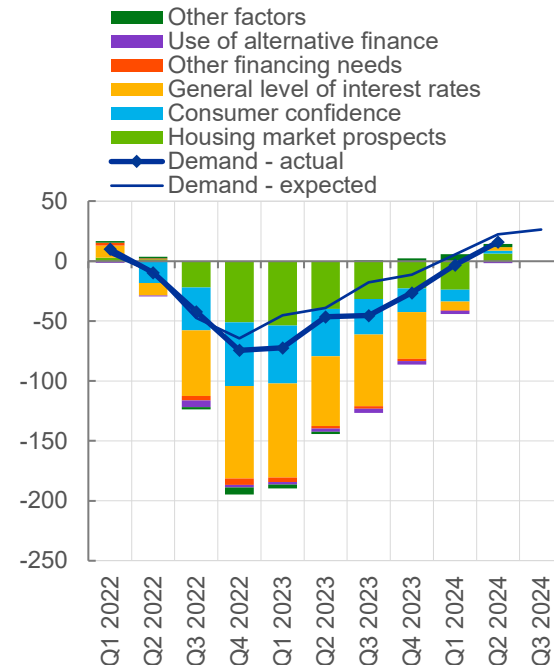
(net percentages)



Source: ECB (BLS).
Note: "Other factors" refer to further factors which were mentioned by banks as having contributed to changes in credit standards.
Latest observation: past until Q2 2024 and expected for Q3 2024.

Changes in demand for housing loans

(net percentages)



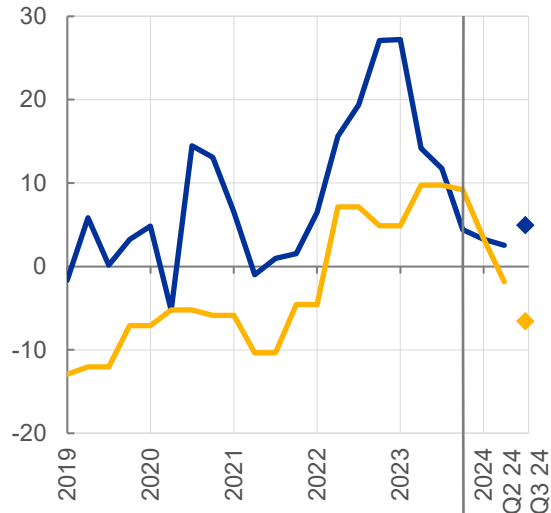
Source: ECB (BLS).
Notes: "Other financing needs" is the average of "debt refinancing/restructuring and renegotiation" and "regulatory and fiscal regime of housing markets". "Use of alternative finance" is the average of "internal finance of house purchase out of savings/down payment", "loans from other banks" and "other sources of external finance".
Latest observation: past until Q2 2024 and expected for Q3 2024.

Results from the July BLS & SAFE – comparing bank and firm perspectives

Credit standards and bank loan availability for firms (net percentages)

(net percentages)

- Credit standards (BLS)
- Loan availability, inverted (SAFE)
- ◆ Expected credit standards (BLS)
- ◆ Expected loan availability, inverted (SAFE)



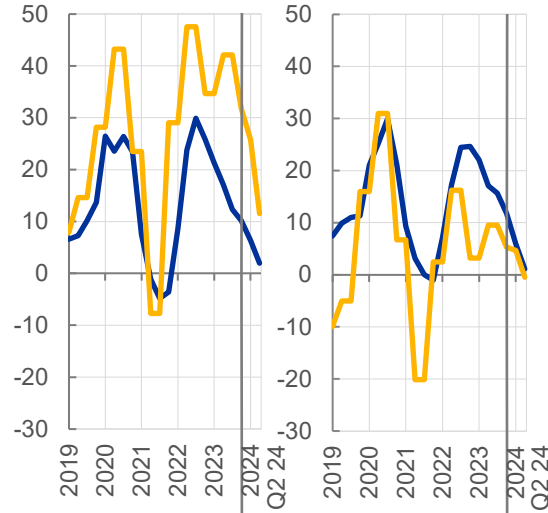
Sources: ECB (BLS, SAFE). Notes: BLS: a positive value is a net tightening; SAFE: a positive value is a net decrease. SAFE figures are inverted. The diamond refers to expectations. The vertical line in Q4 2023 marks the period since results are directly comparable on a quarterly basis.

Latest observation: past until Q2 2024 and expected for Q3 2024.

Impact of factors on credit standards and loan availability (net percentages)

(net percentages)

- General economic outlook (BLS)
- Firm-specific situation (BLS)
- General economic outlook, inverted (SAFE)
- Firm-specific outlook, inverted (SAFE)



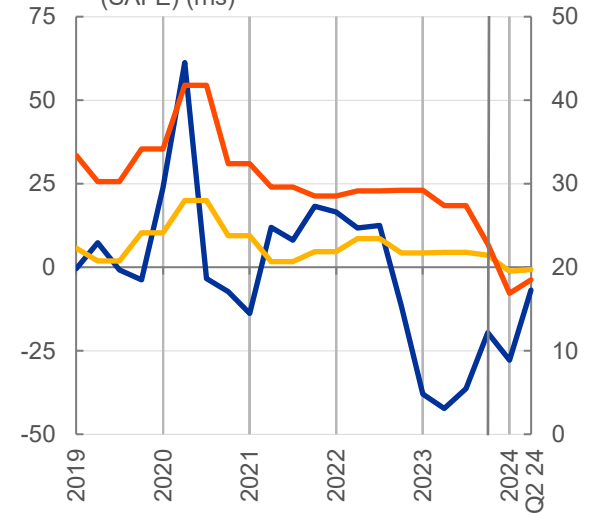
Sources: ECB (BLS, SAFE). Notes: BLS: a positive value is a net tightening impact; SAFE: a positive value is a negative net impact. SAFE figures are inverted. The vertical line in Q4 2023 marks the period since results are directly comparable on a quarterly basis.

Latest observation: Q2 2024.

Loan demand, loan financing needs and applications

(lhs: net percentages, rhs: percentages)

- Net increase in demand for loans (BLS)
- Net increase in financing needs for loans (SAFE)
- Percentage share of loan applications (SAFE) (rhs)



Source: ECB (BLS, SAFE). Notes: Left axis: BLS and SAFE: a positive value is a net increase. Right axis: The percentages shown are for firms that applied for a bank loan, relative to firms for which bank loans are a relevant source of finance. The vertical line in Q4 2023 marks the period since results are directly comparable on a quarterly basis. Latest observation: Q2 2024.