

Monetary policy after the energy shock

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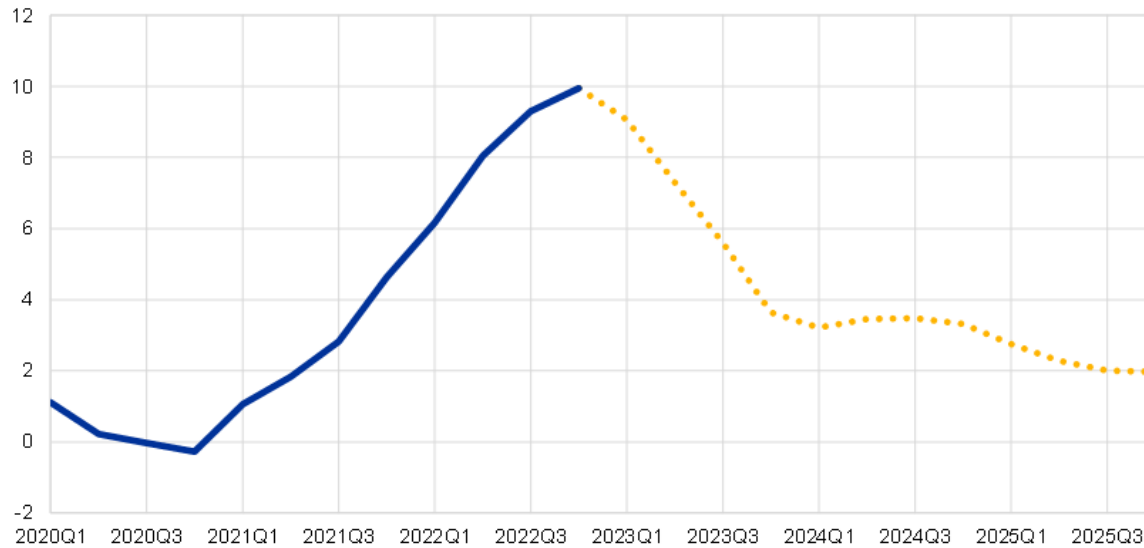
*Speech at an event organised by the Centre for European Reform,
the Delegation of the European Union to the United Kingdom and the
ECB Representative Office in London*

16 February 2023

Chart 1

Euro area HICP headline inflation and inflation projections

(annual percentage changes and percentage point contributions)



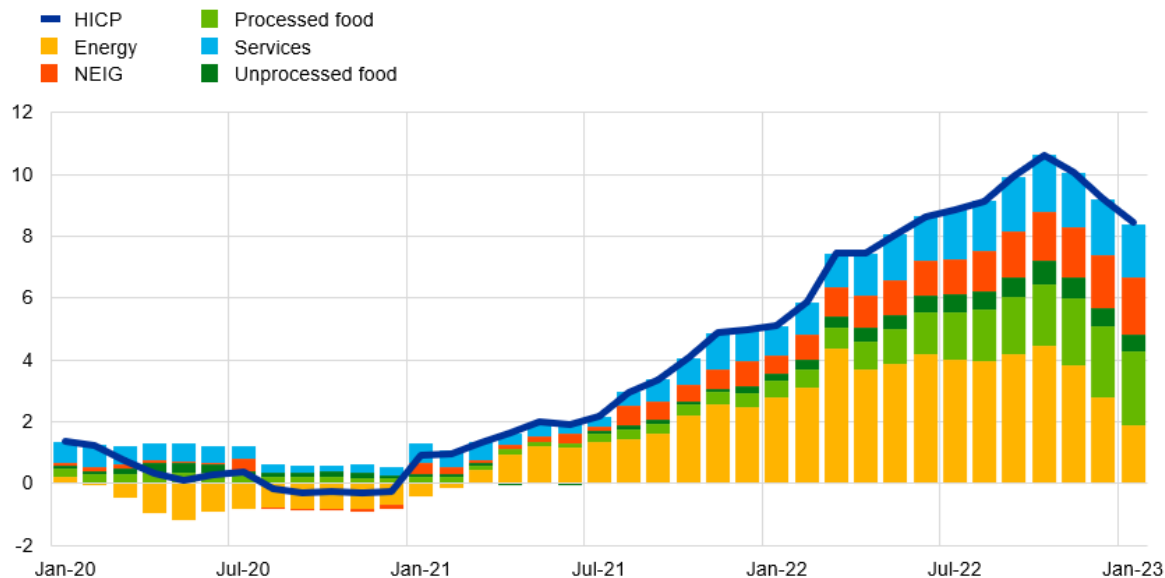
Source: Eurosystem staff macroeconomic projections for the euro area, December 2022.

Note: The dashed yellow line denotes projections. Latest observations are for 2022Q4.

Chart 2

Inflation in the euro area

(annual percentage changes and percentage point contributions)



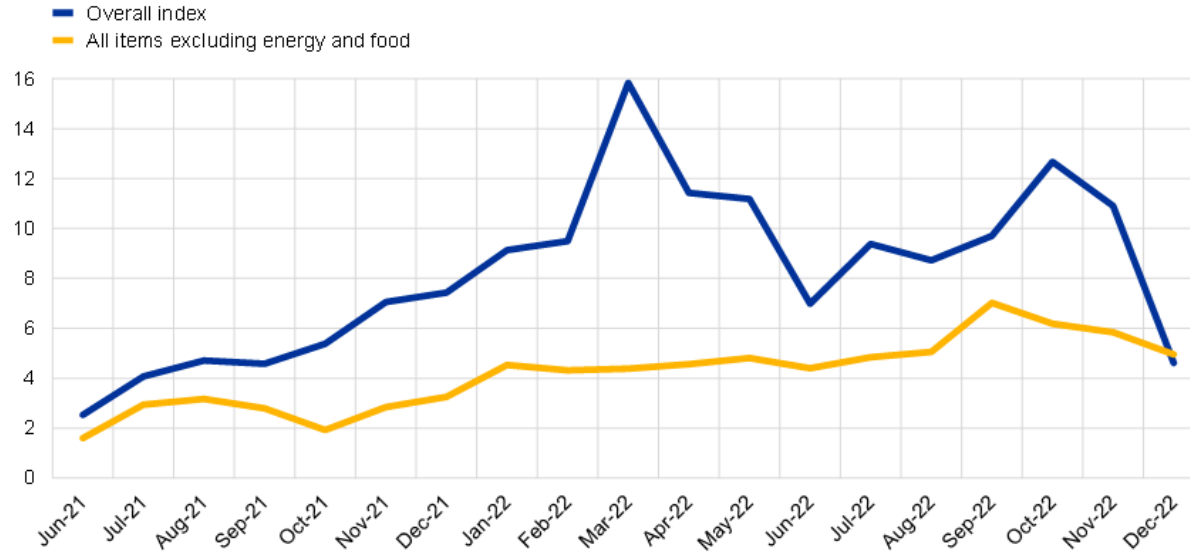
Sources: Eurostat and ECB calculations.

Note: NEIG stands for "non-energy industrial goods".

Chart 3

Short-run inflation momentum: three-month HICP change, annualised, working-day and seasonally adjusted

(percentage changes)



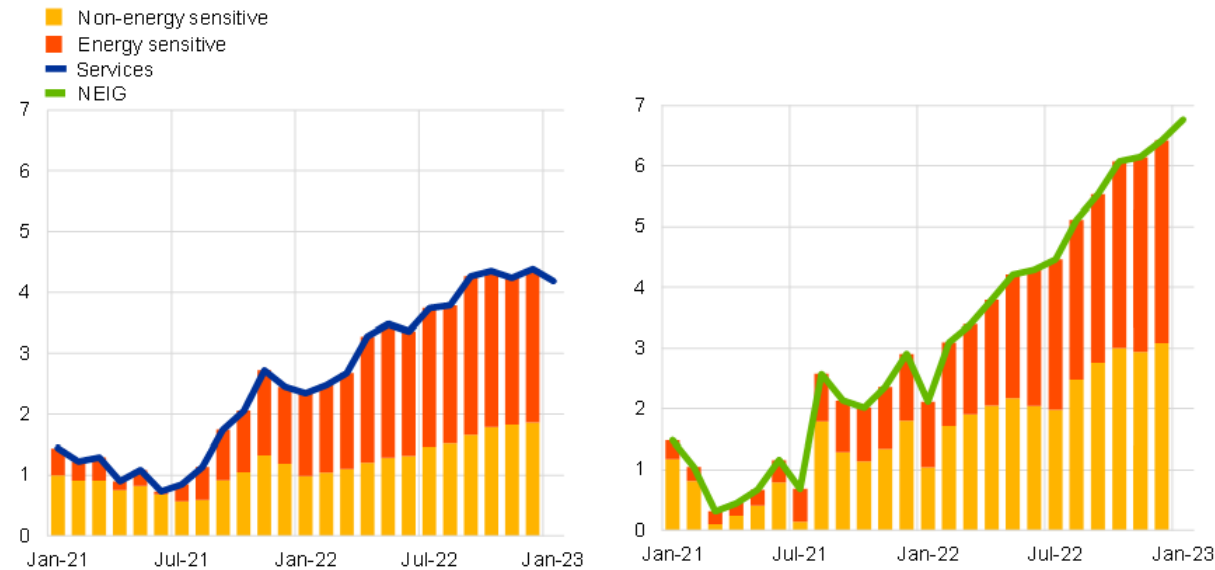
Sources: Eurostat and ECB.

Note: The latest observation is for December 2022.

Chart 4

Contributions of energy-sensitive components to goods and services inflation in the euro area

(annual percentage changes and percentage point contributions)



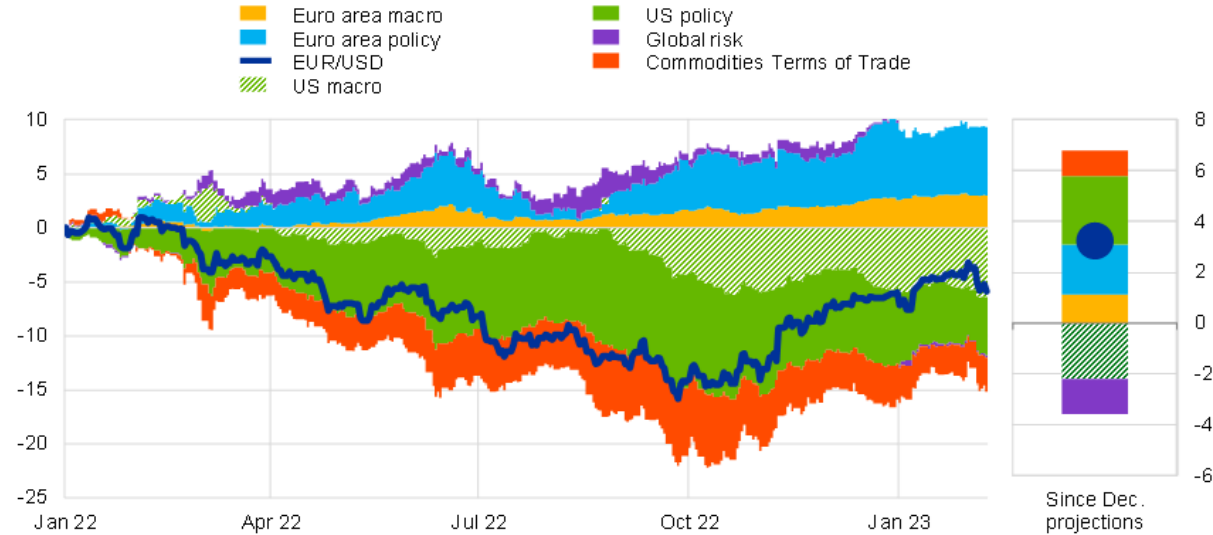
Sources: Eurostat and ECB staff calculations.

Notes: The term "energy-sensitive component" reflects items with a share of energy in direct costs above the average share of energy across services items (left-hand panel) and non-energy industrial goods (NEIG) items (right-hand panel). The latest observations are for December 2022

Chart 5

Drivers of the euro-US dollar exchange rate

(cumulative changes since January 2022, percentage changes and percentage point contributions)



Sources: ECB and ECB calculations.

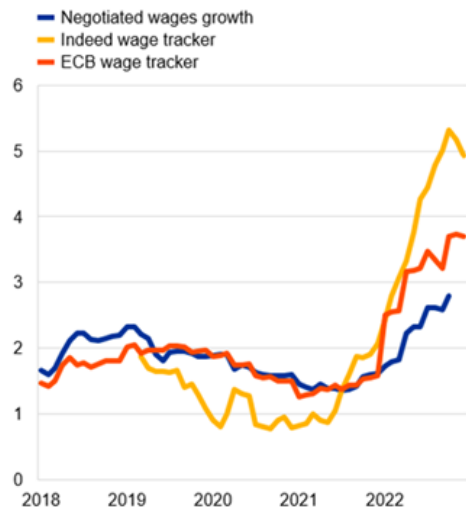
Notes: A decrease denotes a euro depreciation against the US dollar. The decomposition of exchange rate changes is based on an extended two-country Bayesian vector autoregression (BVAR) model including ten-year euro area overnight index swap rate, euro area stock price, EUR/USD, ten-year euro area overnight index swap-US Treasury spread, US stock prices and the relative Citi commodities terms-of-trade index in the euro area compared with the United States. An adverse euro area terms-of-trade shock is assumed to depreciate the euro against the dollar, reduce euro area equity prices, and increase euro area yields and yield spreads against the United States. Identification via sign and narrative restrictions, using daily data. "Dec. projections" refers to the December 2022 Eurosystem staff macroeconomic projections for the euro area. The latest observation is for 10 February 2023.

Chart 6

Wage developments

(annual percentage changes)

ECB and Indeed/CBI wage trackers,
and negotiated wage growth



Forward-looking wage tracker: wage growth
in 2023 in agreements signed in 2022



Sources: Left panel: Eurostat, ECB, national sources. The difference between the ECB wage tracker and negotiated wage growth series in 2022 is mostly due to different series of negotiated wage growth for France, with the ECB euro area tracker using [wage growth in sectoral negotiations in France](#). Data on Indeed wage trackers can be found [here](#).

Right panel: Calculations based on micro data on wage agreements provided by Bundesbank, Banco de España, the Dutch employer association AWWN, Oesterreichische Nationalbank, Bank of Greece, Banca d'Italia and Banque de France. Data for FR are based on an updated version of Gautier, E. (2022): "[Negotiated wage rises for 2022: the results so far](#)", *Eco Notepad*, No 269, Banque de France.

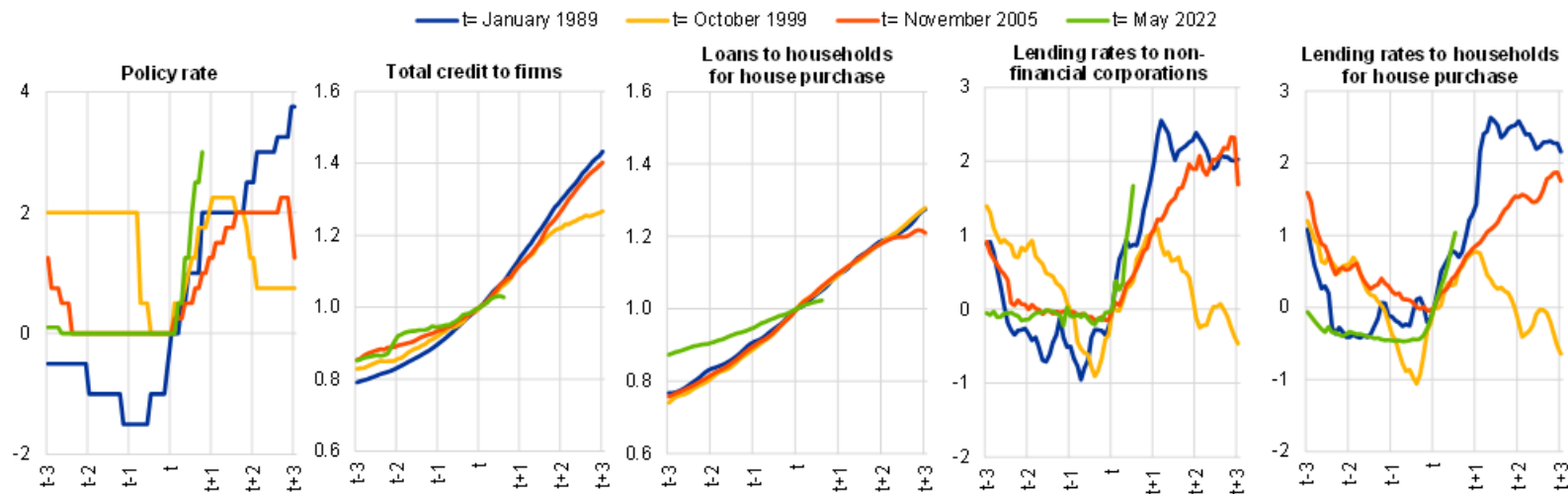
Notes: Euro area aggregate is based on ES, IT, GR, AT, DE, NL and FR.

The latest observations are November 2022 for negotiated wages (excluding NL), fourth quarter of 2022 for the wage trackers.

Chart 7

Key macro-financial variables during hiking cycles

(cumulative changes in percentage points for policy and lending rates; index (t=1) for total credit to firms and loans to households for house purchase)



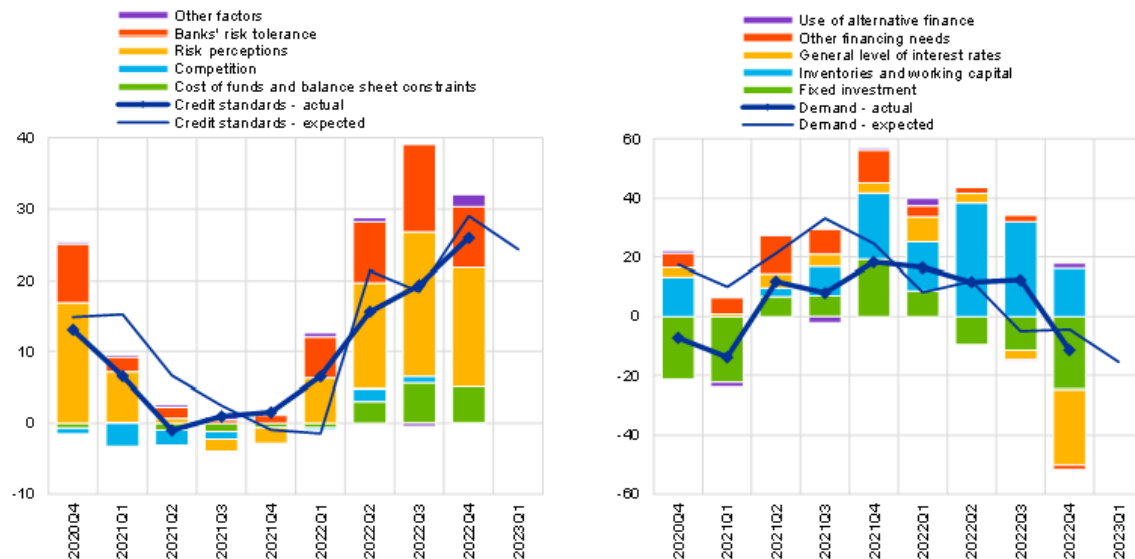
Sources: ECB, Eurostat and ECB calculations.

Notes: The ECB-relevant policy rate is the Lombard rate up to December 1998, the MRO up to May 2014 and the DFR thereafter. Total credit to firms includes borrowing from banks and debt securities issued by non-financial corporations. Monetary financial institution loans to firms and households are adjusted for sales, securitisation and cash pooling. Data for debt securities and private residential investment before 1989 are not available and have been estimated. Latest observations are December 2022 for lending rates and loans, January 2022 for HICP and February 2022 for the DFR.

Chart 8

Changes in credit standards and demand for loans to euro area firms

(net percentages)



Source: Bank Lending Survey (BLS).

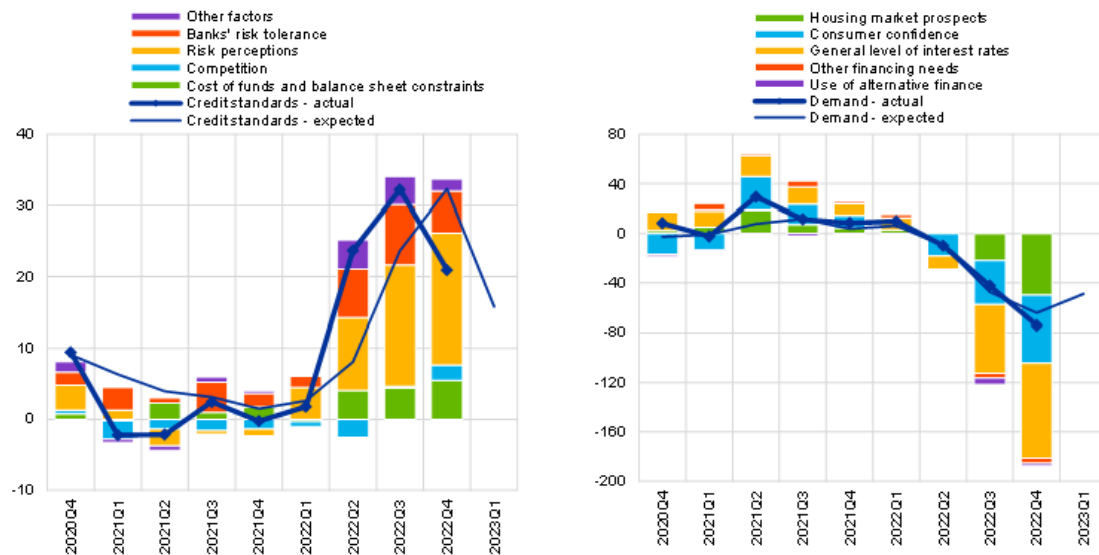
Notes: The net percentage for credit standards refers to the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentage for loan demand refers to the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". Net percentages for the "Other factors" refer to further factors which were mentioned by banks as having contributed to changes in credit standards.

Latest observation: January 2023 BLS.

Chart 9

Changes in credit standards and demand for loans to euro area households for house purchases

(net percentages)



Source: BLS.

Notes: The net percentage for credit standards refers to the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentage for loan demand refers to the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". Net percentages for the "Other factors" refer to further factors which were mentioned by banks as having contributed to changes in credit standards.

Latest observation: January 2023 BLS.

Thank you for your attention!