

Patient monetary policy amid a rocky recovery

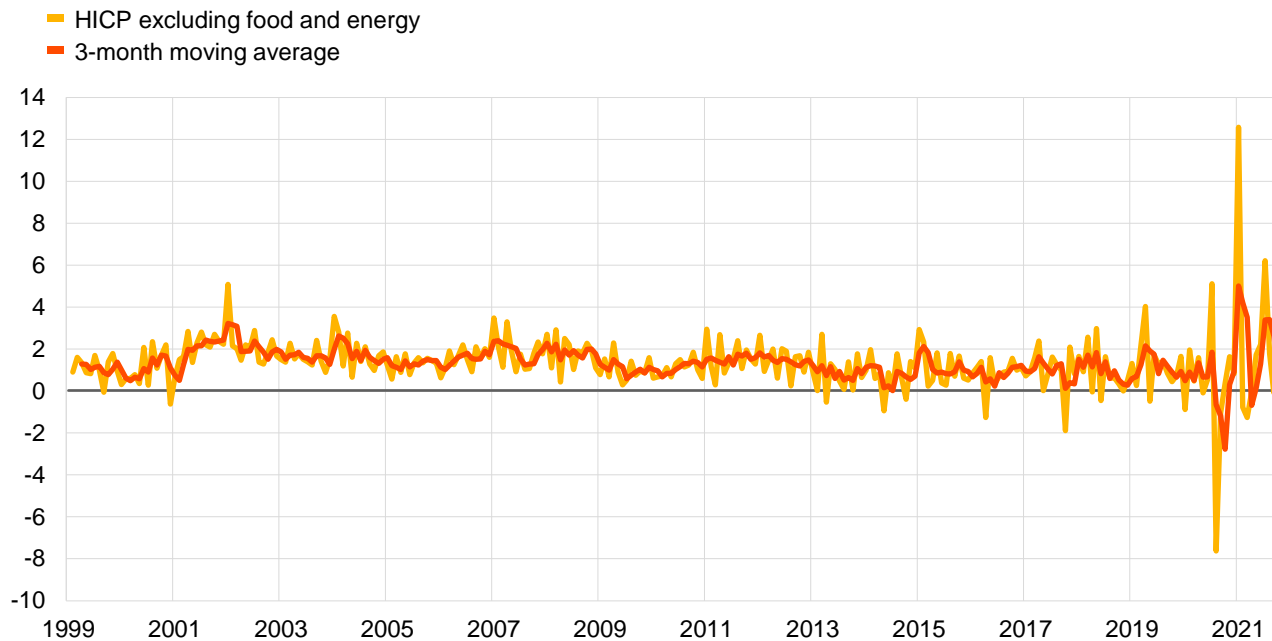
Fabio Panetta, Member of the ECB's Executive Board

Sciences Po, Paris, 24 November 2021

Chart 1

Euro area core inflation

(month-on-month percentage changes, annualised, seasonally and working-day adjusted)

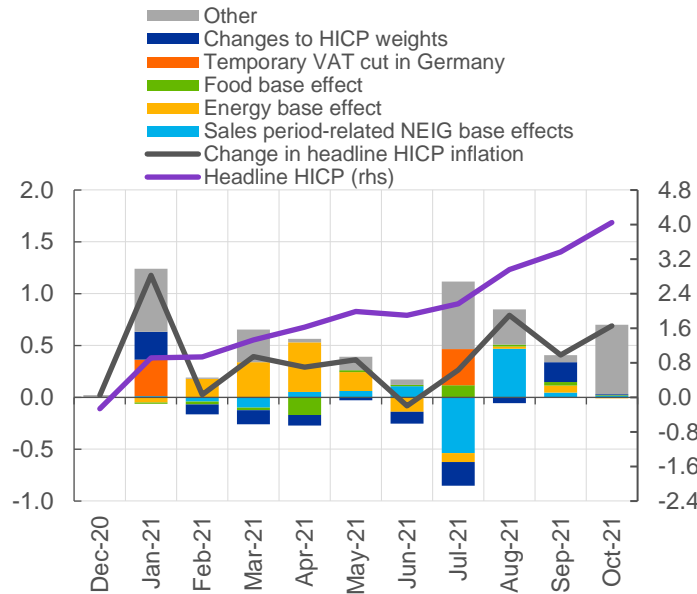


Source: ECB.

Chart 2

Contributions of temporary factors to monthly changes in headline inflation

(percentage point contributions and annual percentage changes)

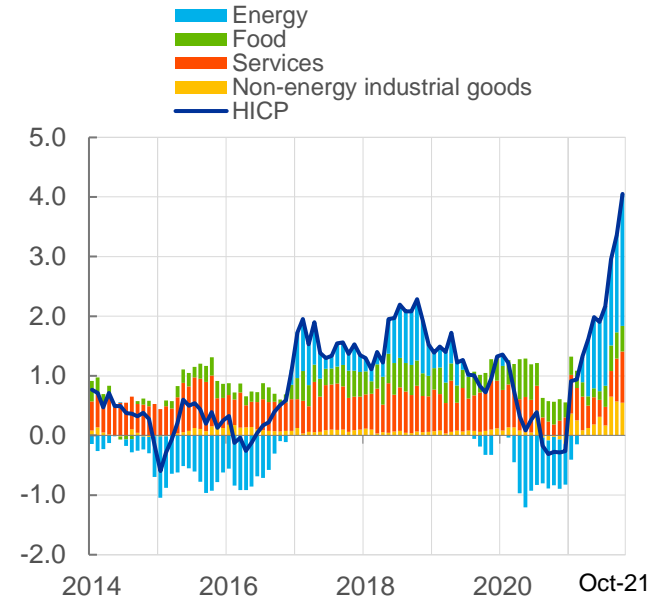


Source: Eurostat, Deutsche Bundesbank, September NIPE and ECB staff calculations.

Note: The latest observations are for October 2021.

HICP inflation and components

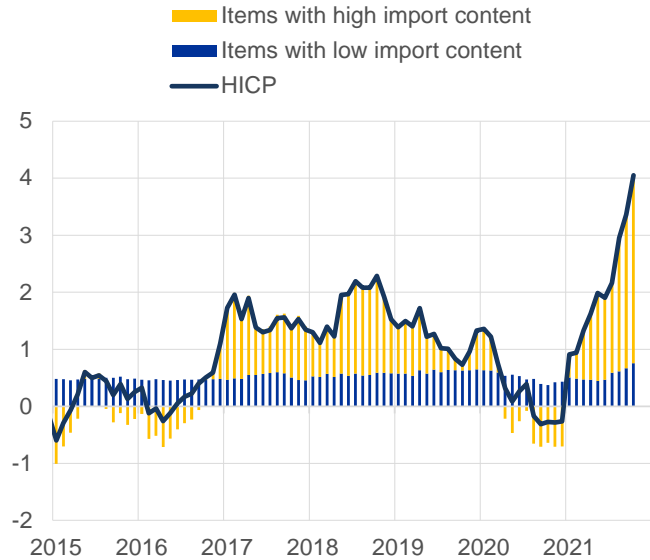
(annual percentage changes and percentage point contributions)



Source: Eurostat and ECB staff calculations.

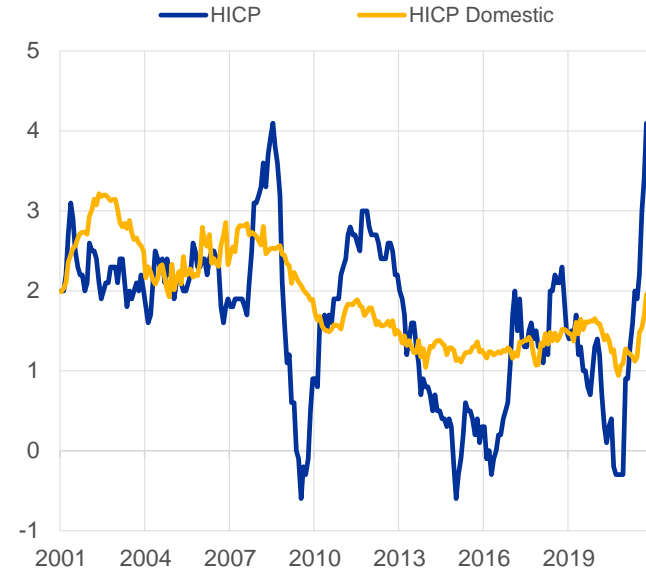
Chart 3

Contribution to HICP inflation by import content (annual percentage changes and percentage points)



Sources: WIOD, Eurostat and ECB staff calculations.
Note: The latest observations are for October 2021.

HICP headline and domestic component (annual percentage changes)

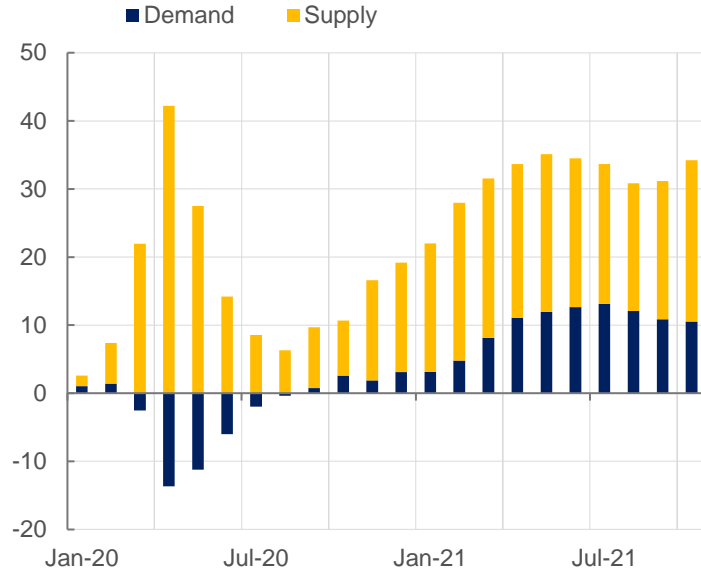


Sources: WIOD, Eurostat and ECB staff calculations.
Note: The latest observations are for October 2021.

Chart 4

Drivers of the change in the euro area PMI manufacturing suppliers' delivery times

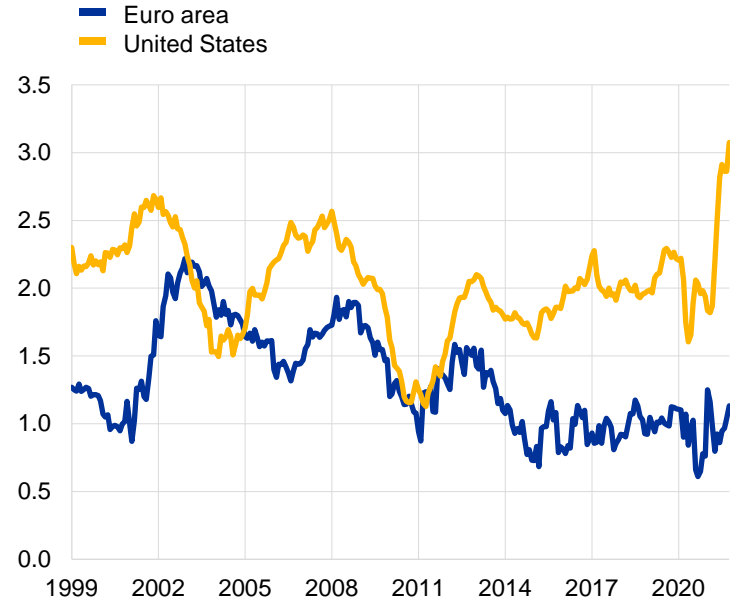
(relative to January 2020; increase denotes rising delivery times)



Sources: ECB and Eurostat.

Core inflation in the euro area and United States

(2-year changes, annualised)



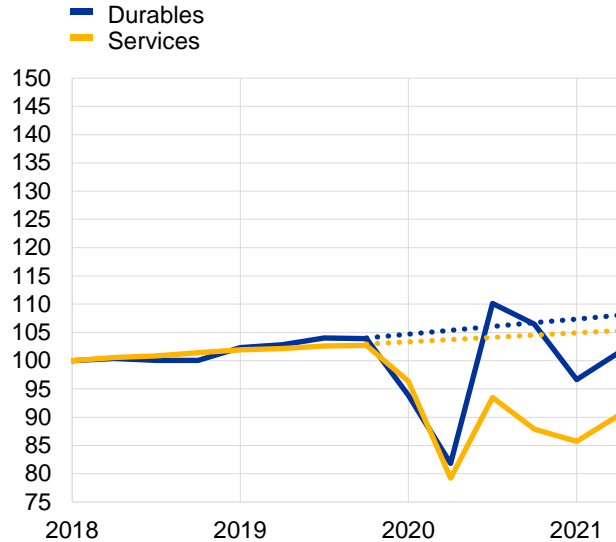
Sources: Eurostat and Federal Reserve System.

Chart 5

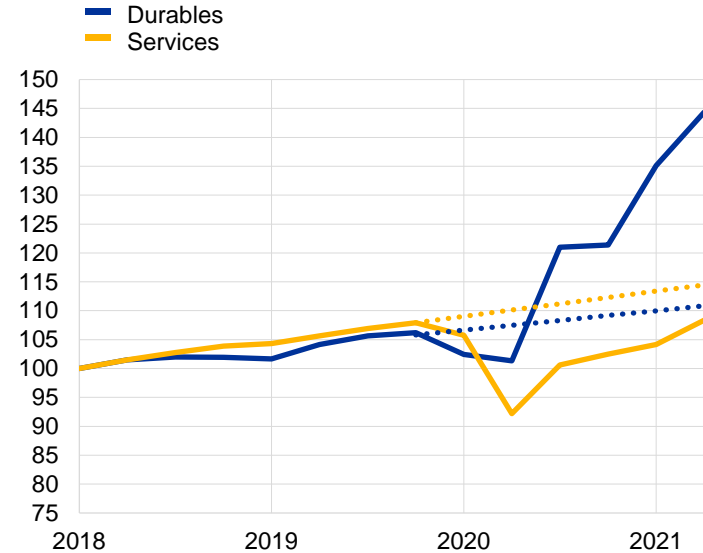
Individual consumption – durables and services

(index: Q1 2018 = 100)

Euro area



United States



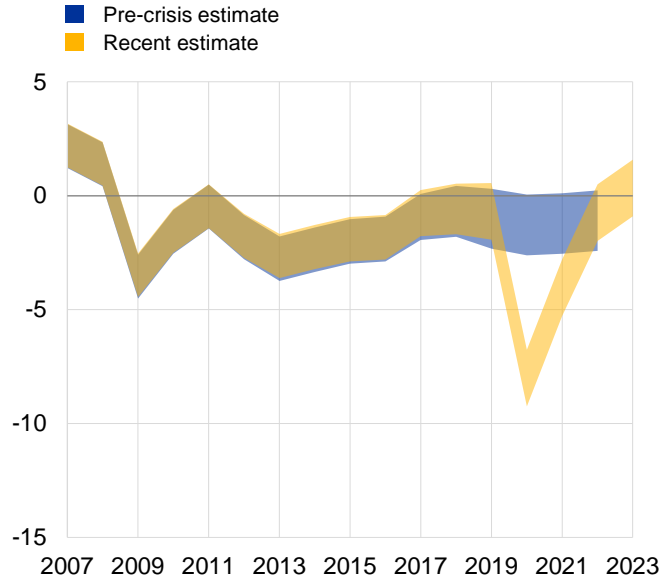
Sources: ECB and Federal Reserve System.

Notes: Dotted lines denote linear trend (Q1 2018-Q4 2019). Durables and services for the euro area are approximated using a bottom-up aggregation of available country-level data.

Chart 6

Pre-crisis and recent estimates of the output gap in the euro area

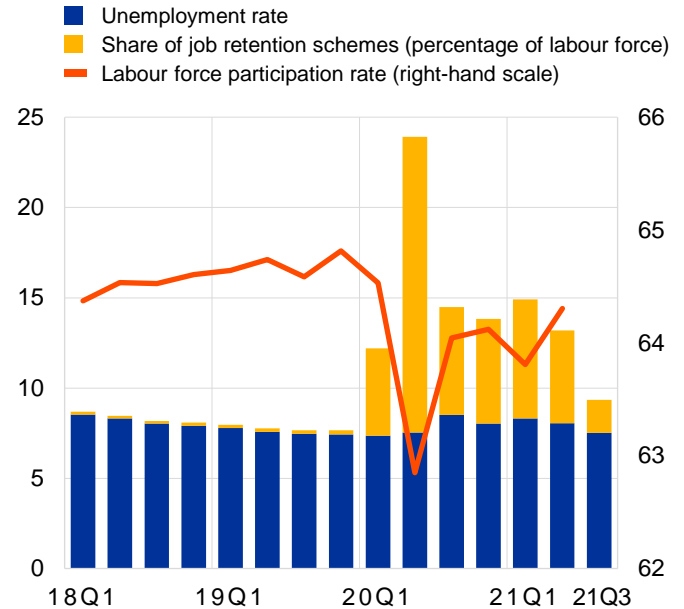
(percentages of potential output)



Sources: Eurostat, Deutsche Bundesbank, September NIPE and ECB staff calculations.
 Note: The latest observations are for October 2021.

Labour market indicators

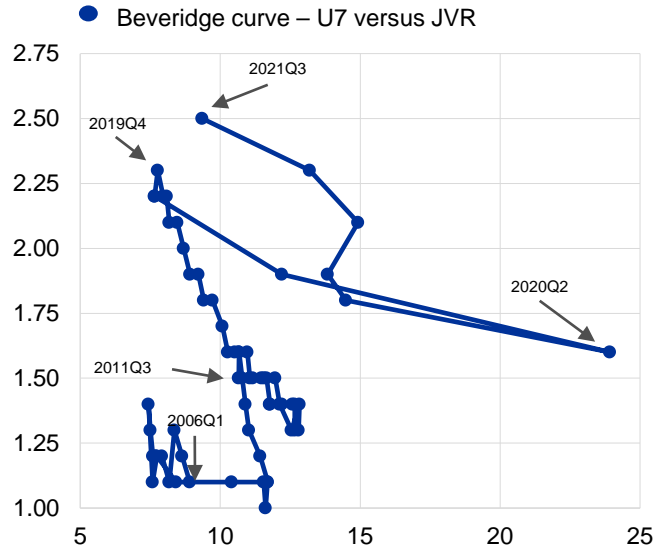
(percentages)



Sources: ECB calculations based on data from Eurostat, Federal Employment Agency Germany, ifo Institute Munich, Ministère du Travail, de l'Emploi et de l'Insertion, Instituto Nazionale Previdenza Sociale (INPS), and Ministerio de Inclusión, Seguridad Social y Migraciones.
 Notes: The latest observations are for the third quarter of 2021 for Germany, Spain and France and the second quarter of 2021 for Italy for the number of workers in job retention schemes (JRS); the third quarter of 2021 for the unemployment rate; and the second quarter of 2021 for the labour force participation rate.

Chart 7 Beveridge curve

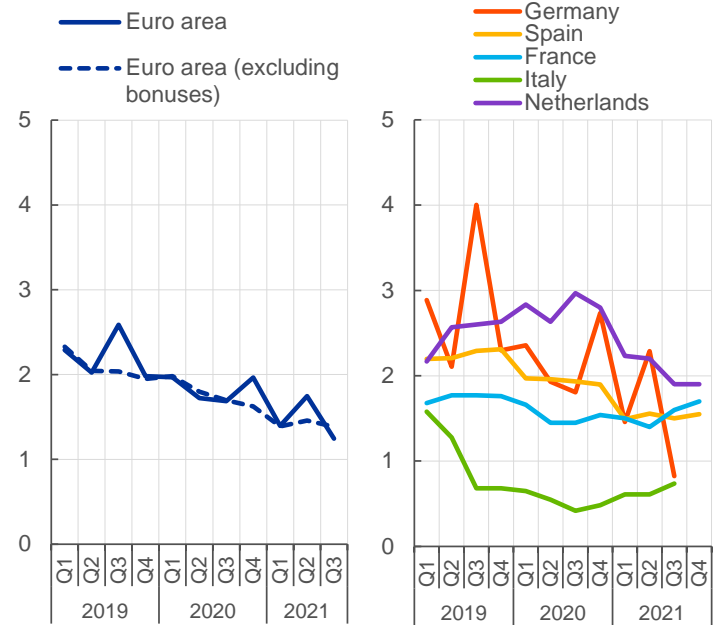
(y-axis: job vacancy rate, percentages of jobs; x-axis: U7 rate, percentages of the labour force)



Sources: ECB calculations based on data from Eurostat, Federal Employment Agency Germany, ifo Institute Munich, Ministère du Travail, de l'Emploi et de l'Insertion, Instituto Nazionale Previdenza Sociale (INPS), and Ministerio de Inclusión, Seguridad Social y Migraciones.

Notes: The highlighted area marks the coronavirus (Covid-19) crisis period from the first quarter of 2020 to the second quarter of 2021. The latest observations are for the third quarter of 2021 for Germany, Spain and France and the second quarter of 2021 for Italy for the number of workers in job retention schemes (JRS); and the third quarter of 2021 for the unemployment rate and job vacancy rate.

Negotiated wages (annual percentage changes)

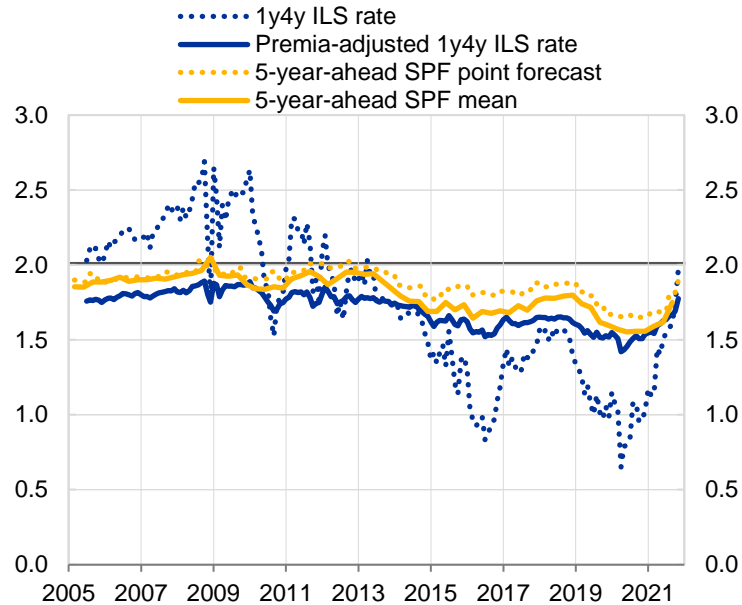


Notes: The latest observations are for the third quarter of 2021 based on July and August data for the euro area and Germany, the third quarter of 2021 based on full quarter data for Italy and the fourth quarter of 2021 based on October data for Spain, France and the Netherlands.

Chart 8

SPF inflation expectations and inflation-linked swaps over medium-term horizons

(percentages per annum)

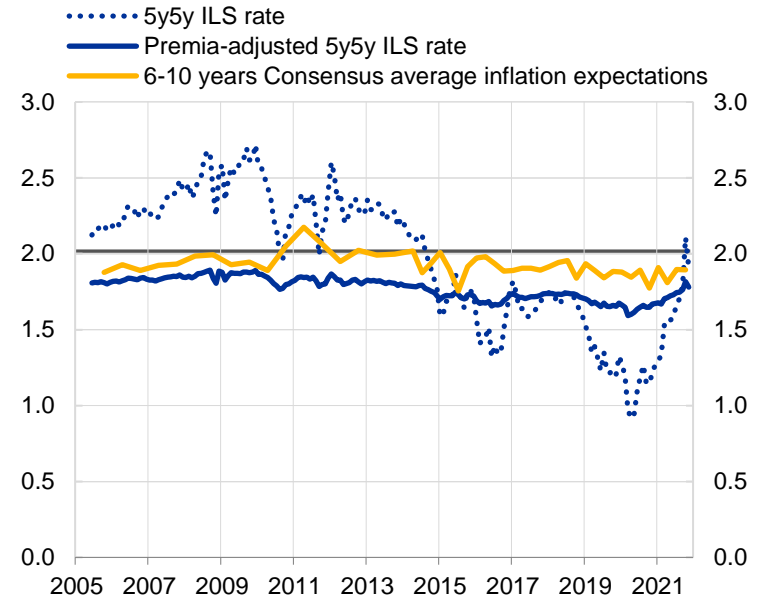


Sources: Refinitiv, SPF and ECB calculations.

Notes: Average estimates based on two affine term structure models following Joslin, Singleton and Zhu (2011) applied to ILS rates adjusted for the indexation lag as in Camba-Mendez and Werner (2017). Survey expectations from the Survey of Professional Forecasters (SPF) refer to the point estimate and mean respectively of the reported probability distributions for year-on-year expectations five years ahead. The latest observations are for the fourth quarter of 2021 (SPF) and 19 November 2021 (market data, monthly model).

Consensus inflation expectations and inflation-linked swaps over longer horizons

(percentages per annum)

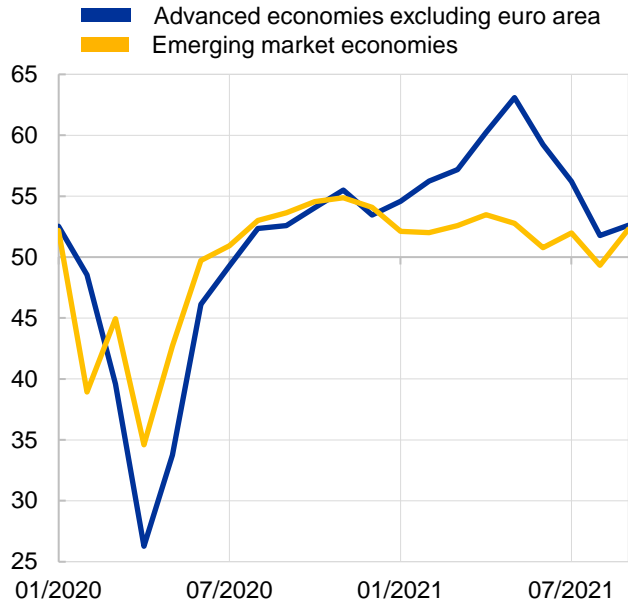


Sources: Refinitiv, Consensus Economics and ECB calculations.

Notes: Average estimates based on two affine term structure models following Joslin, Singleton and Zhu (2011) applied to ILS rates adjusted for the indexation lag as in Camba-Mendez and Werner (2017). The latest observations are for October 2021 (Consensus Economics) and 19 November 2021 (market data, monthly model).

Chart 9 Composite PMIs by region

(diffusion indices)

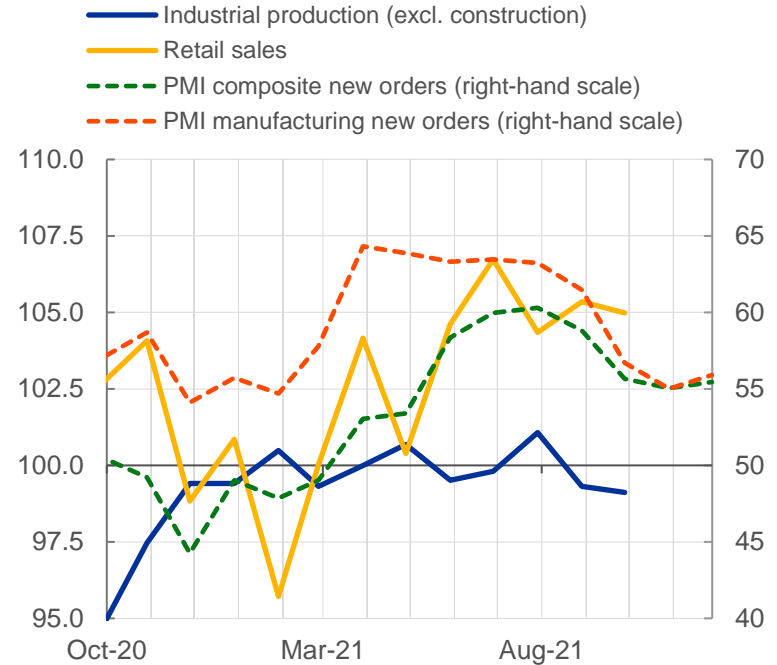


Sources: Markit and ECB calculations.

Note: The latest observations are for September 2021.

Hard and soft indicators

(left-hand scale: indices, Q4 2019 = 100; right-hand scale: diffusion indices)



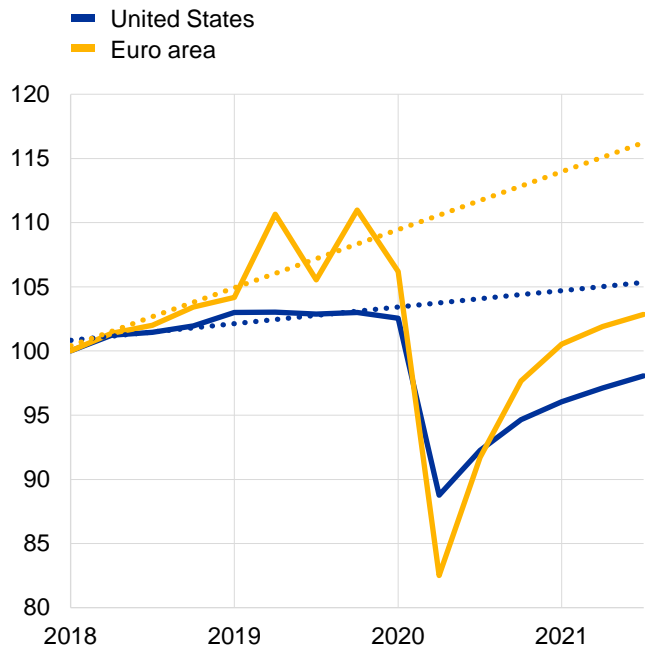
Sources: Eurostat and Markit.

Notes: September 2021 for industrial production and retail sales, November 2021 for PMI new orders.

Chart 10

Gross fixed capital formation

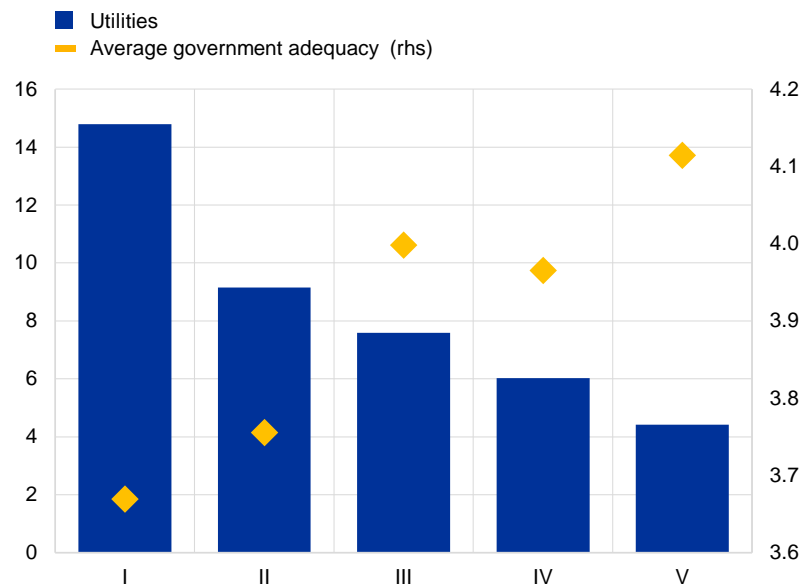
(Index: Q1 2018 = 100)



Sources: ECB and Federal Reserve System.

Adequacy of government support across the income distribution

(left-hand scale: Utilities as percentages of monthly income; right-hand scale: adequacy scale 0-10)



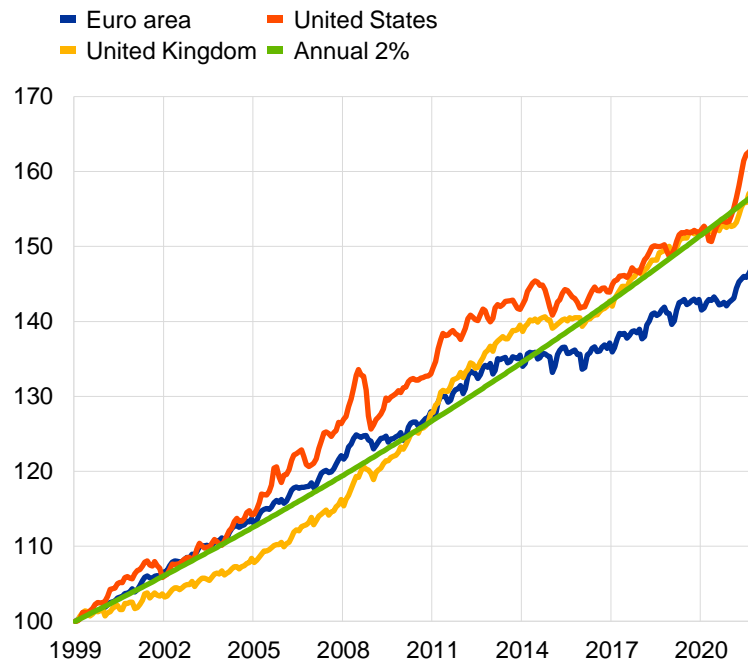
Sources: ECB Consumer Expectations Survey (CES) and ECB staff calculations.

Note: Utilities refers to the amount spent on utilities reported in July and October 2021 over the net monthly income. Net savings refers to the accumulated net savings from January 2020 to March 2021 over the net monthly income earned during the same period.

Chart 11

Harmonised Index of Consumer Prices (HICP)

(all-items, January 1999=100)



Source: Eurostat

Thank you for your attention!