

**Philip R. Lane**  
Member of the Executive Board

# Remarks on monetary policy

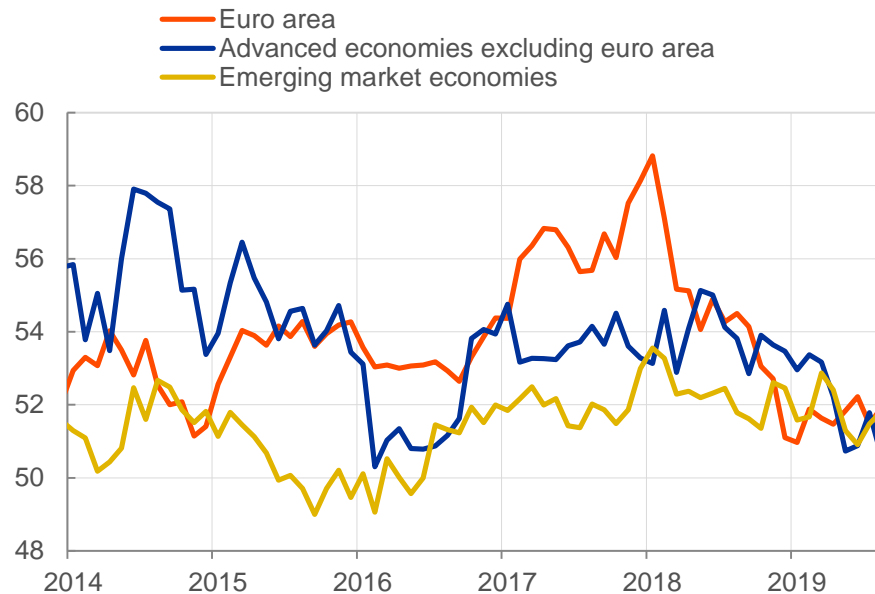
Keynote speech at Bloomberg

London

16 September 2019

## Composite Output PMI

(diffusion index; seasonally adjusted; monthly data)

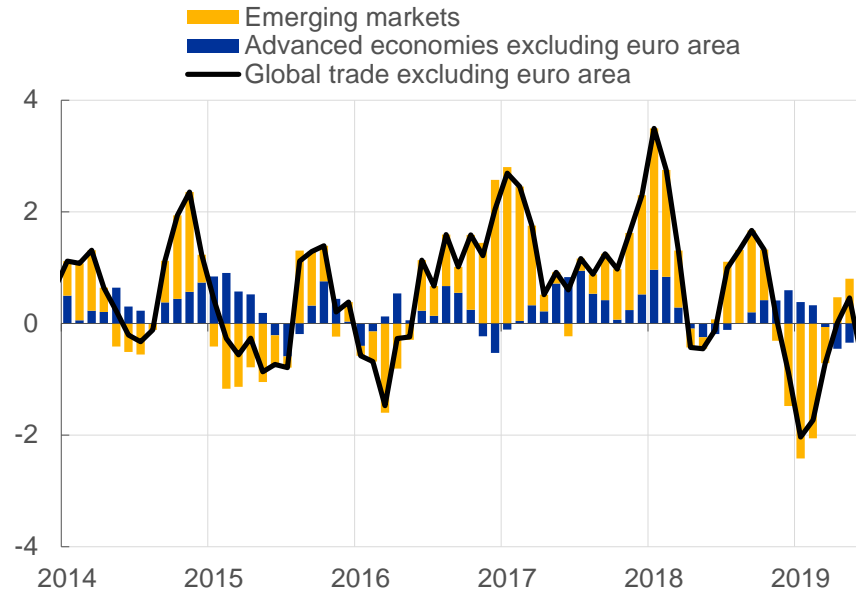


Sources: Markit and ECB staff calculations.

Notes: The long-run averages are 53.0 for the euro area, 54.2 for advanced economies excluding the euro area and 53.1 for emerging market economies. Long-run average refers to the period from 1999 onwards for euro area and advanced economies and 2005 onwards for emerging market economies.

Latest observation: July 2019.

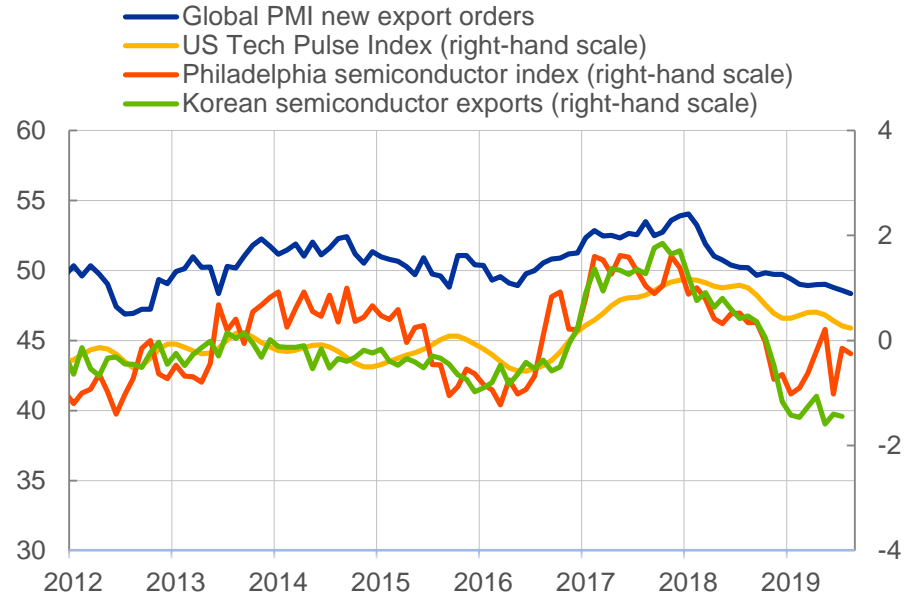
## Global merchandise import growth (three-month-on-three-month percentage changes)



Sources: CPB and ECB staff calculations.  
Latest observation: June 2019.

## The global tech cycle

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



Sources: Tirpák, M. (2019), Markit, Thomson Financial Datastream, FRED, KITA and ECB calculations.

Latest update: August 2019 (PMI, Philadelphia Semiconductor Index and US Tech Pulse Index) and July 2019 (Korean semiconductor exports).

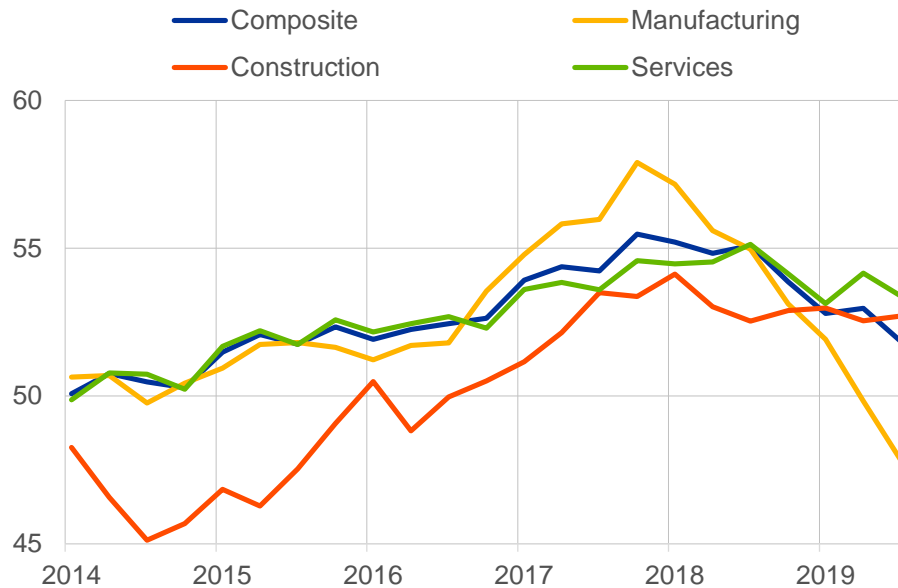
## Retail trade and consumer confidence

(left-hand scale: year-on-year percentage changes of three-month average;  
right-hand scale: net percentages)



Sources: Eurostat, DG-ECFIN and ECB staff calculations.  
Latest observations: July 2019 for retail trade and August 2019 for consumer confidence.

## PMI indicator of employment in the euro area (index level)

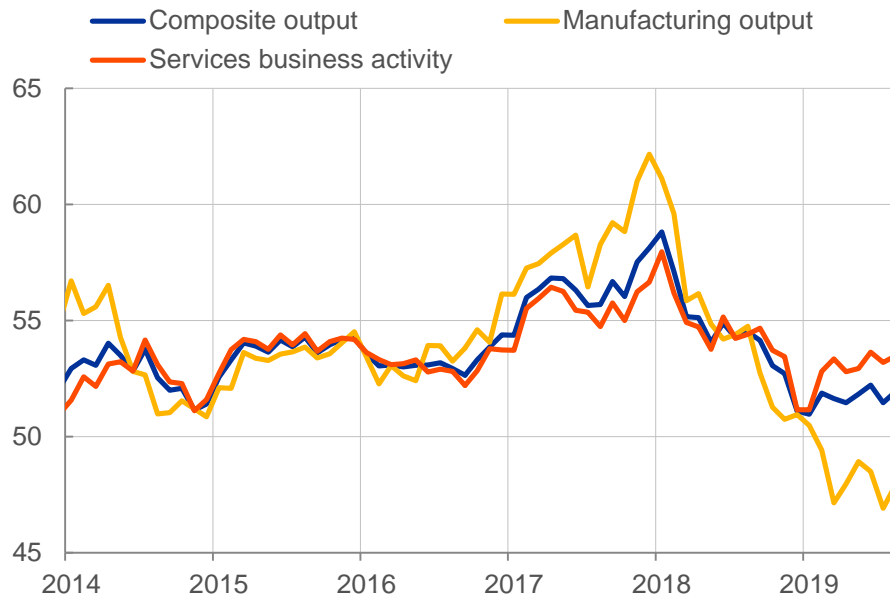


Source: Markit.

Latest observations in Q2 2019: sector-specific averages of the values in July and August.

## Euro area PMI indices

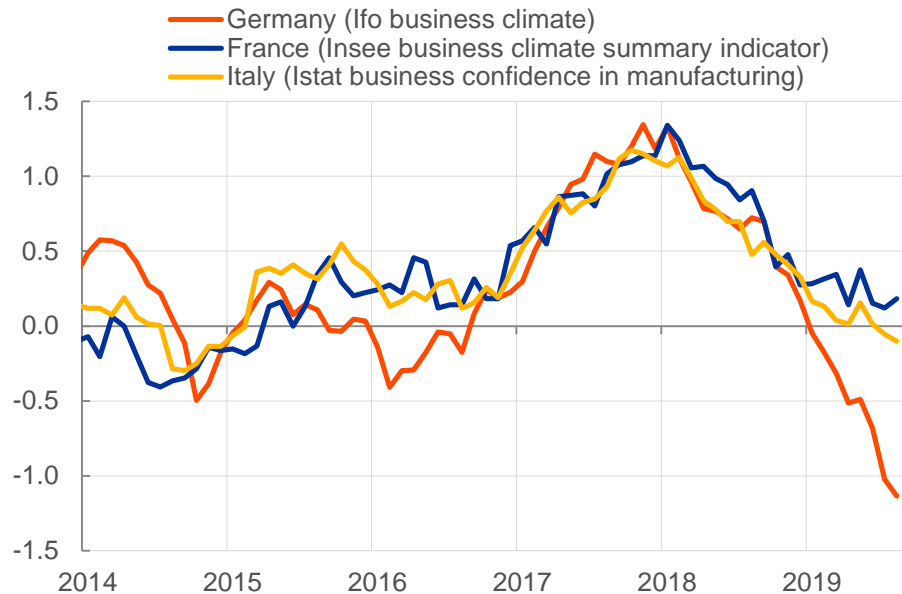
(diffusion index; 50 = no change)



Sources: Markit.  
Latest observation: August 2019.

## National manufacturing business climate indicators

(difference from long-term average, normalised)

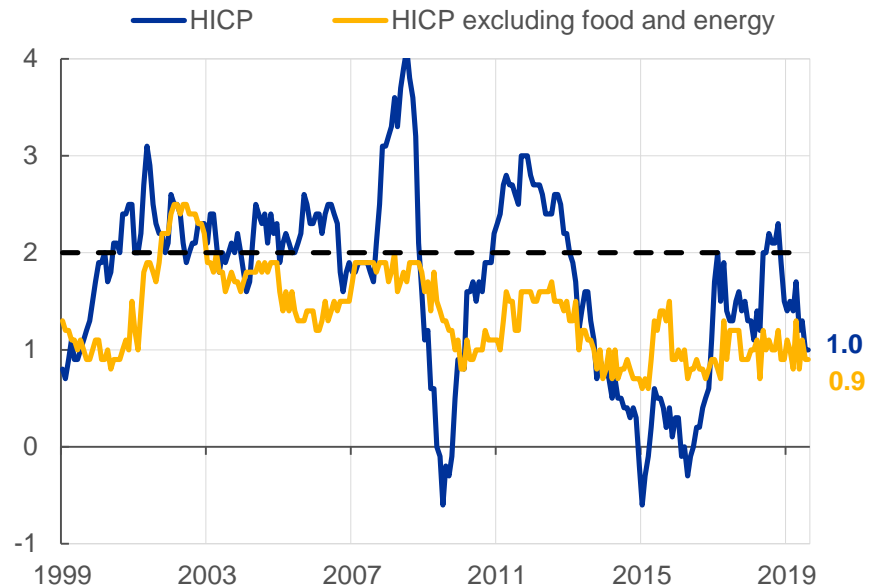


Sources: Ifo, Insee and Istat.  
Latest observation: August 2019.



## HICP and HICP excluding food and energy

(percentages per annum)



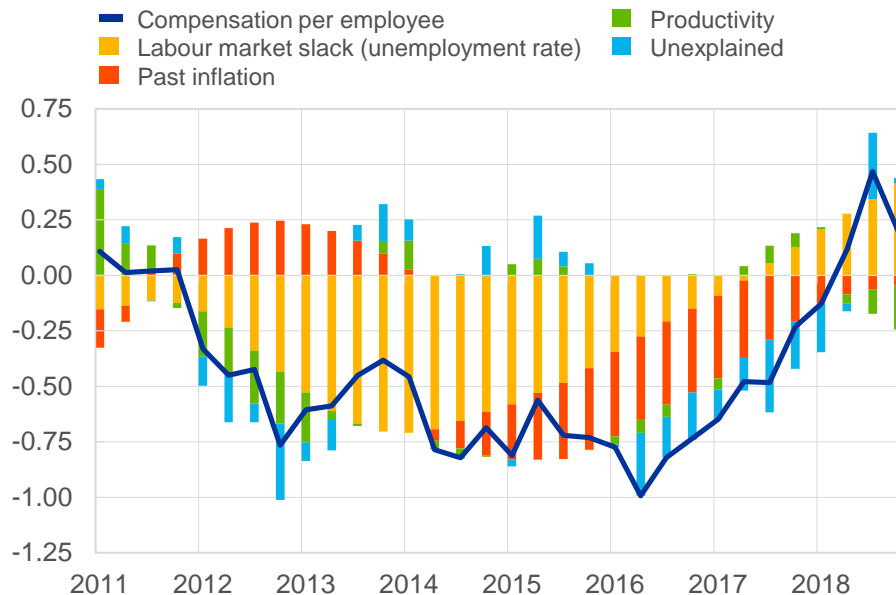
Sources: Eurostat and ECB calculations.

Notes: HICP stands for harmonised index of consumer prices. Based on monthly observations.

Latest observation: August 2019 (flash estimate).

## Phillips Curve-based decomposition of wage growth into its main drivers

(deviations from mean in year-on-year growth terms and percentage point)

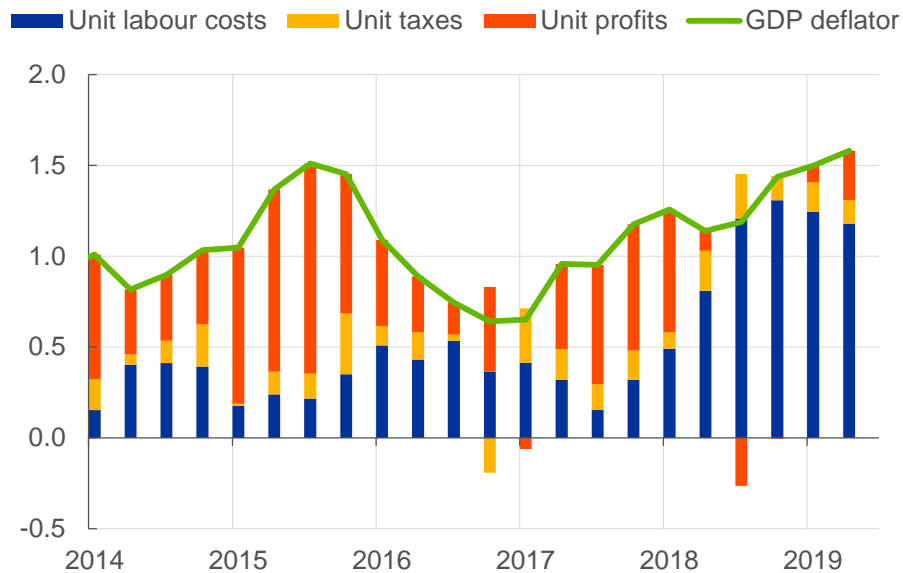


Source: Nickel, C. et al. (eds.) (2019) "Understanding low wage growth in the euro area and European countries", Occasional Paper Series, No 232, ECB.

Notes: Sample from Q1 1995 to Q4 2018. The blue line shows deviations of compensation per employee growth from its model-implied mean. Contributions (including residuals) are also shown as deviations from their model-implied mean. Contributions are derived as in Yellen, J.L. (2015). "Inflation Dynamics and Monetary Policy", speech at the Philip Gamble Memorial Lecture, University of Massachusetts, Amherst. Latest observation: Q4 2018.

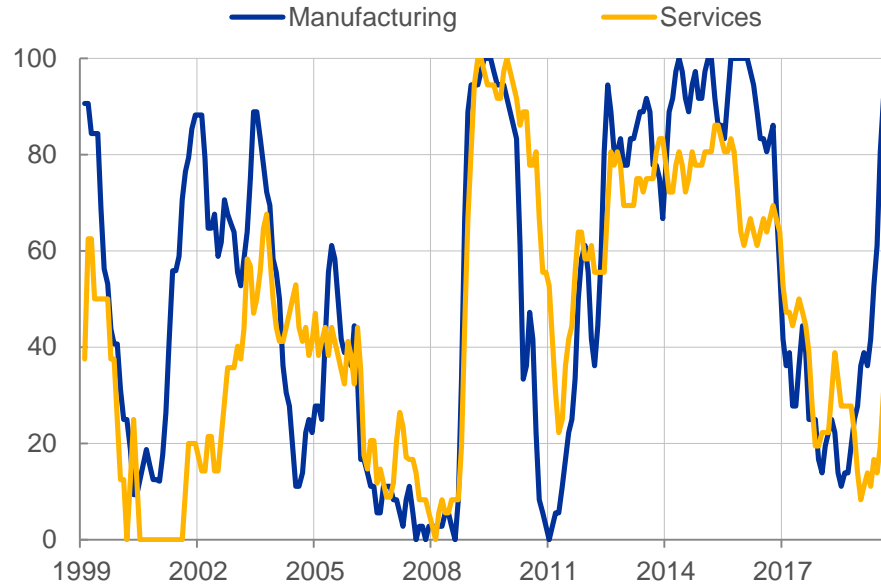
## GDP deflator and contributions

(annual percentage changes, percentage points)



Sources: Eurostat, ECB staff calculations.  
Latest observation: Q4 2019.

## Share of countries with short-term selling price expectations below long-term mean (percentages)



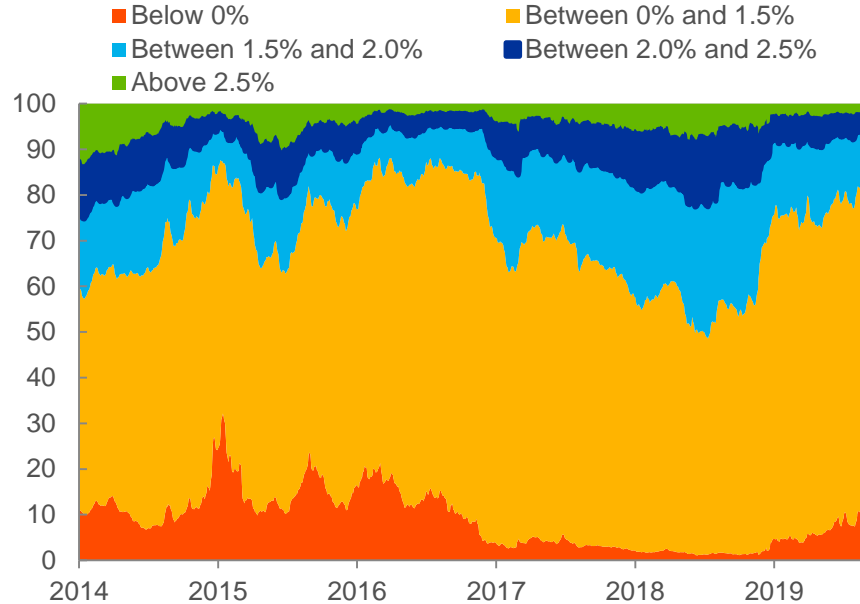
Sources: European Commission and ECB staff calculations.

Notes: Selling price expectations in manufacturing for three months ahead based on a European Commission indicator available since 1999 for all euro area countries (except Luxembourg). The series are shown as two-month moving averages.

Latest observation: August 2019.

## Option-implied distribution of average inflation over the next five years

(percentages)

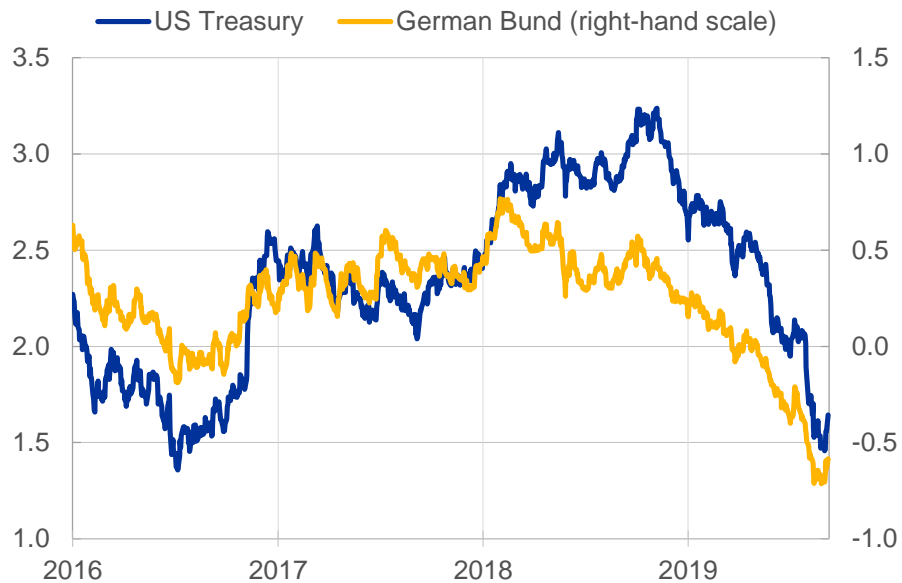


Sources: Bloomberg, Thomson Reuters and ECB staff calculations.

Notes: Probabilities implied by five-year zero-coupon inflation options, smoothed over five business days. Risk-neutral probabilities may differ significantly from physical, or true, probabilities.

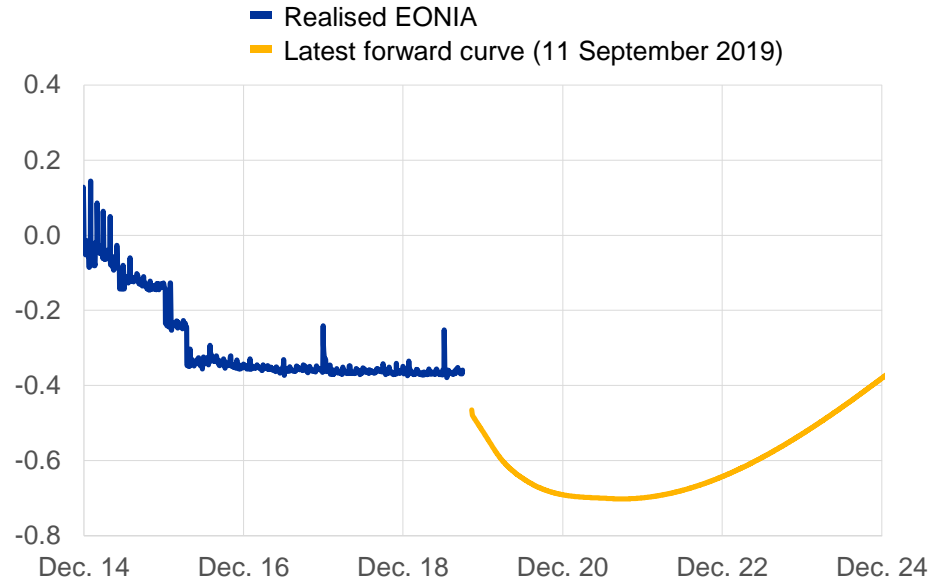
Latest observation: 12 September 2019.

## Ten-year yields of German and US government bonds (percentages)



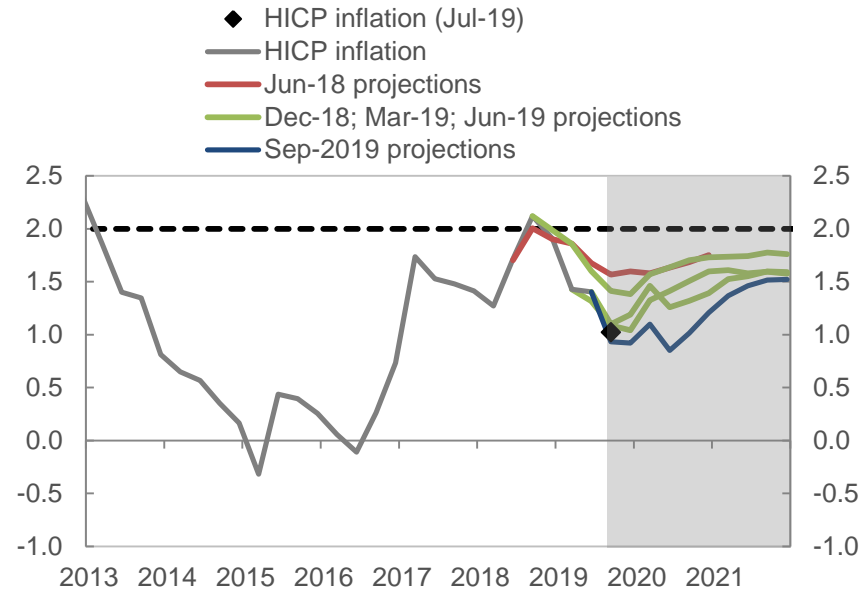
Sources: Bloomberg and ECB.  
Latest observation: 10 September 2019.

## Realised EONIA and forward curve (percentages per annum)



Source: ECB.

## Actual and projected HICP inflation (year-on-year percentage change)

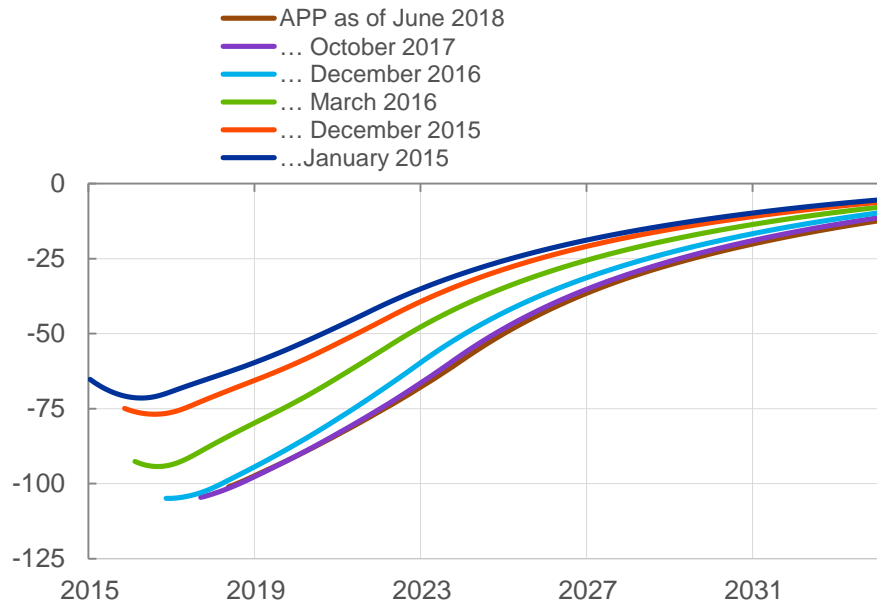


Source: ECB and Eurosystem staff macroeconomic projections.



## Estimated effect of APP recalibration vintages on euro area ten-year term premium

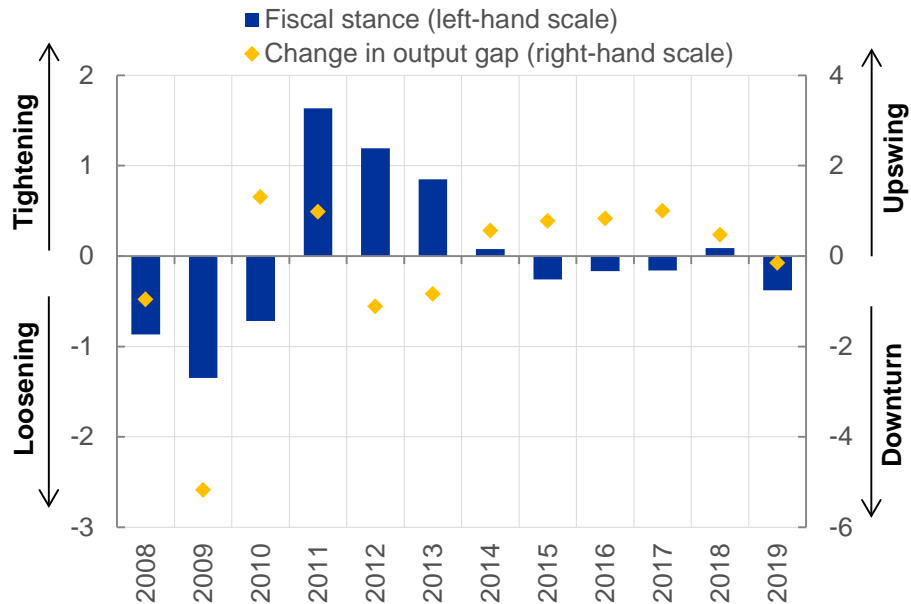
(basis points)



Source: Based on Eser, F., Lemke, W., Nyholm, K., Radde, S. and Vladu, A.L. (2019), "Tracing the impact of the ECB's asset purchase programme on the yield curve", Working Paper Series, No 2293, ECB.

Notes: The chart shows the impact of the APP through the duration channel on the term premium component of the ten-year sovereign bond yield (averaged across the four largest euro area countries) over the events cited in the chart legend. The reinvestment horizon is assumed to be five years starting in the month after the announced end of net purchases at each point in time. The chart does not account for the new asset purchases announced in September 2019.

## Euro area fiscal stance and change in output gap (percentage points)

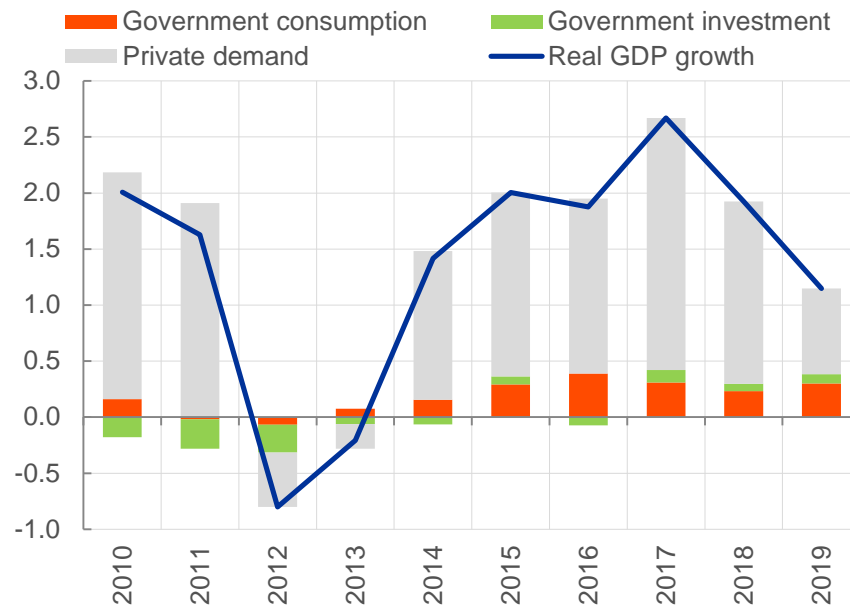


Source: AMECO database (European Commission spring forecast).

Note: The fiscal stance is approximated by a change in the ratio to GDP of the cyclically adjusted government balance.

## Contributions to euro area real GDP growth

(annual GDP growth in percentages; contributions in percentage points)



Source: September 2019 ECB staff macroeconomic projections.