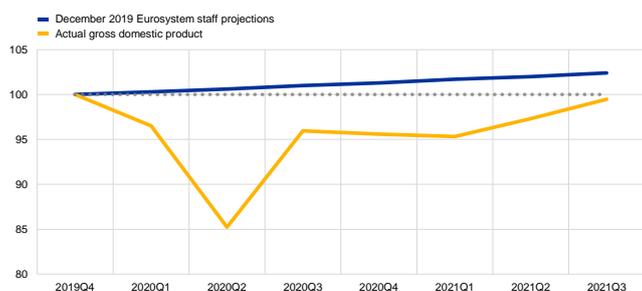


Introductory statement in charts

Hearing of the Committee on Economic and Monetary Affairs of the European Parliament with the ECB President on 15 November 2021

Euro area gross domestic product

(index Q4 2019=100; quarterly)



Source: Eurostat.

Note: Figure for the third quarter of 2021 is based on the preliminary flash estimate.

Economic Activity

The euro area economy continued to grow strongly in the third quarter, but supply bottlenecks and energy price rises are weakening the near-term growth outlook.

- A looser grip of the pandemic on the economy is supporting consumer spending, especially on entertainment, dining and travel. But higher energy prices may limit purchasing power in the next months.
- While shortages of materials and equipment continue to hold back some production, we still expect economic output to exceed its pre-pandemic level around end-2021.

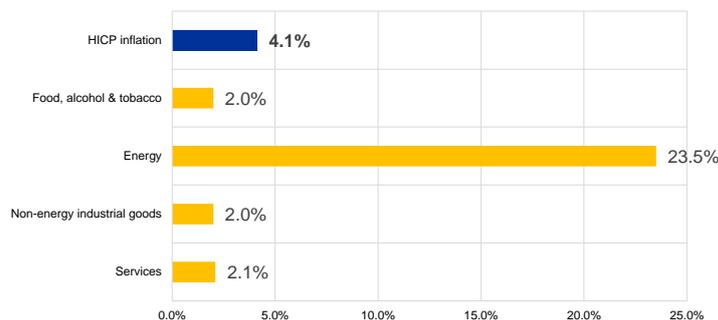
Inflation

Euro area annual inflation (HICP) was 4.1% in October (flash estimate). The recent upswing largely reflects a combination of three factors:

- A sharp and broad-based increase in energy prices.
- Price pressures because recovering demand – related to the reopening of the economy – is outpacing constrained supply.
- The reversal of the cut in the value-added tax rate in Germany last year is still pushing up inflation.

Euro area annual inflation (HICP) – October 2021

(annual percentage change)

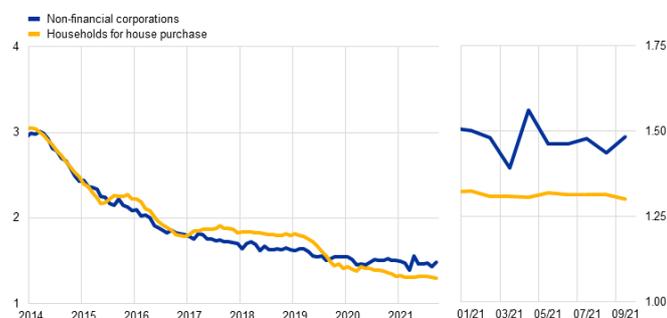


Source: Eurostat.

Note: Flash estimate. For more information on inflation, see our [inflation dashboard](#).

Bank lending rates

(percentages per annum)



Source: ECB.

Note: For more information on bank lending conditions, see our [euro area bank lending survey](#).

Financing conditions

The ECB's measures are key to helping the economy shift to a sustained recovery and bring inflation to two per cent in the medium term.

- Broad financing conditions for the economy remain favourable despite the tighter market rates compared with September. Bank lending rates for firms and households have stabilised close to their historical lows.
- Favourable financing conditions can be maintained with a moderately slower pace of net asset purchases under the pandemic emergency purchase programme than in the second and third quarters of this year.

WANT TO KNOW MORE?

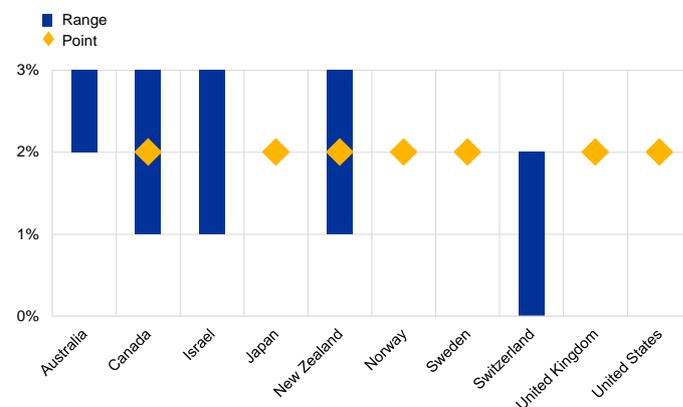
- [Targeted longer-term refinancing operations \(TLTRO\) III and bank lending conditions](#), ECB Economic Bulletin, Issue 6, 2021
- [Monetary policy statement](#), ECB press conference, 28 October 2021

Topic 1: Revised inflation target

Price stability is best maintained by aiming for a two per cent inflation target over the medium term.

- This target is symmetric, meaning negative and positive deviations of inflation from the target are equally undesirable.
- When the economy is operating close to the lower bound on nominal interest rates, it requires especially forceful or persistent monetary policy action to avoid negative deviations from the inflation target becoming entrenched. This may also imply a transitory period in which inflation is moderately above target.

Inflation targets in some other countries



Source: "The ECB's price stability framework: past experience, and current and future challenges", Occasional Paper Series, No 269, ECB, September 2021.

Topic 2: Owner-occupied housing

The ECB decided to recommend a roadmap to include owner-occupied housing (OOH) in the HICP.

- The roadmap includes four stages to gradually include the OOH price index (OOHPI) in the HICP, starting with an experimental indicator derived using existing data.

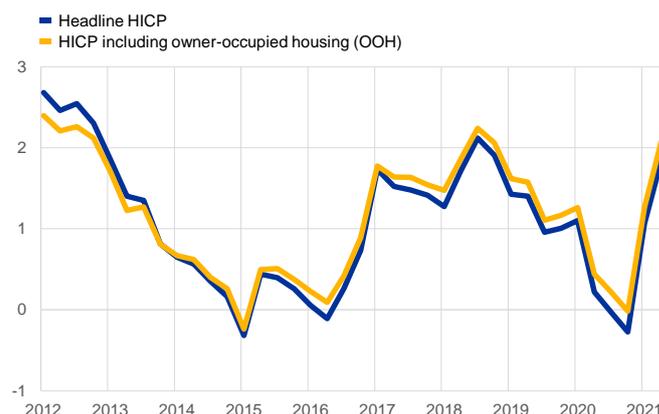
During the transition period, the main reference index for monetary policy will continue to be the current HICP.

- This will last until the OOHPI has achieved the timeliness and quality standards required for full integration into the monthly HICP index.

Preliminary estimates indicate that the HICP including OOH was around 0.2 percentage points higher in the second quarter of 2021, slightly above the average since 2012.

Headline HICP inflation and HICP including owner-occupied housing

(annual percentage changes)



Source: Eurostat and ECB calculations.

Note: The latest observation is for the second quarter of 2021.

WANT TO KNOW MORE?

- [An overview of the ECB's monetary policy strategy](#), ECB Economic Bulletin, Issue 5, 2021
- [Inflation measurement and its assessment](#), (Chapter 4: The role of OOH), ECB Occasional Paper, No 265, 2021