

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

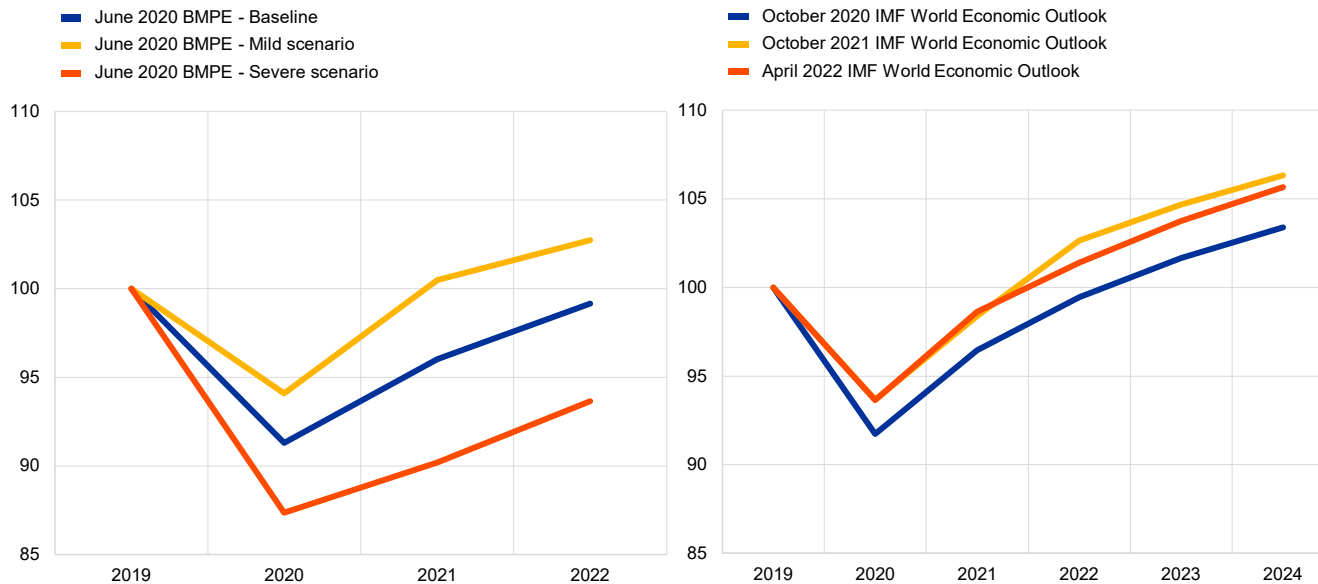
# **The impact of the pandemic on the euro area**

**Nobel Symposium**

**Covid-19 and the Economy: Policies and Impacts**

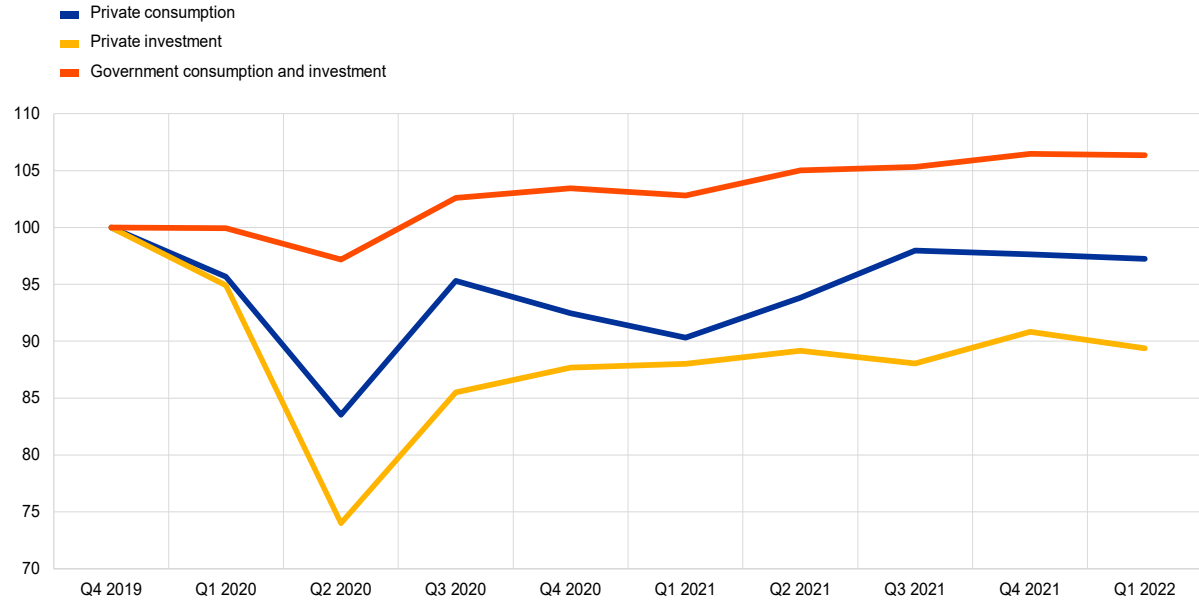
**Stockholm, 20 May 2022**

## Euro area GDP in Eurosystem staff projections and IMF WEO (index 2019=100)



Sources: Eurosystem staff macroeconomic projections (left side) and IMF World Economic Outlook and ECB calculations (right side).

## Consumption, investment and government spending (index: Q4 2019 = 100)

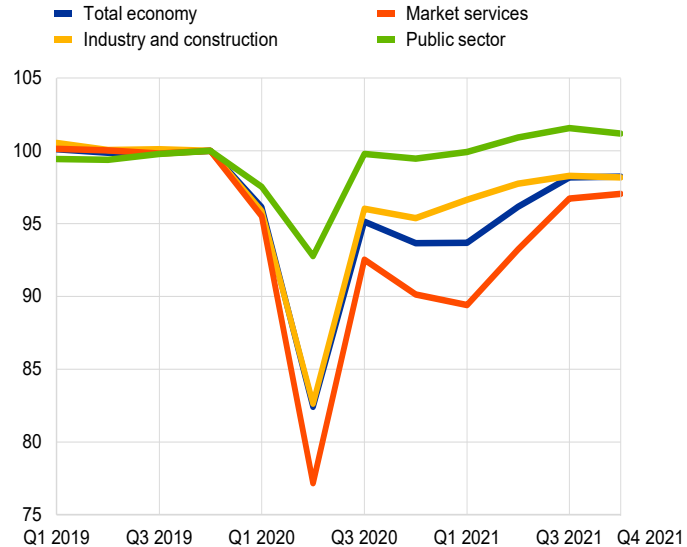
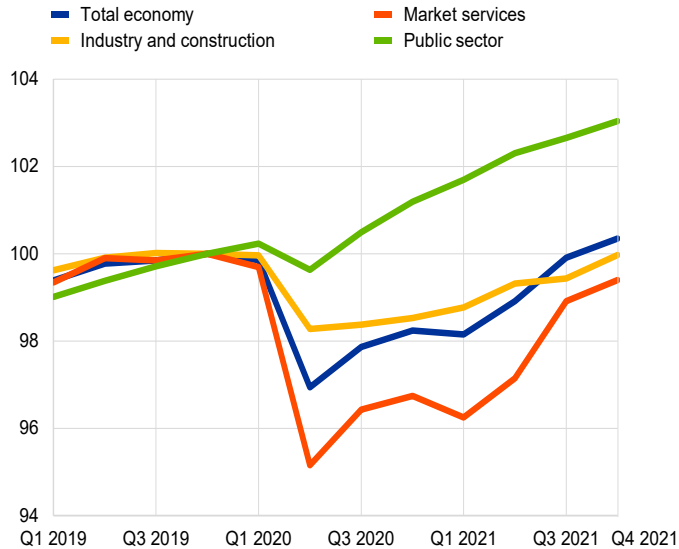


Source: Eurostat, and ECB projections and calculations.

Notes: The latest observations are for the first quarter of 2022.

## Labour market: employment and hours worked by sector

(index: Q4 2019 = 100; left panel: persons employed; right panel: total hours worked)

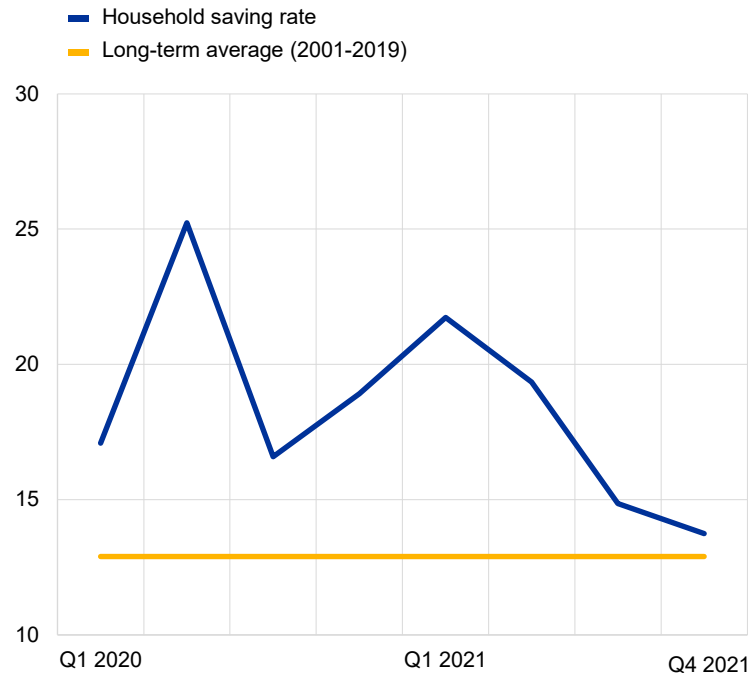


Source: Eurostat.

Notes: The latest observations are for the fourth quarter of 2021.

## Household saving rate

(percentage points of disposable income)

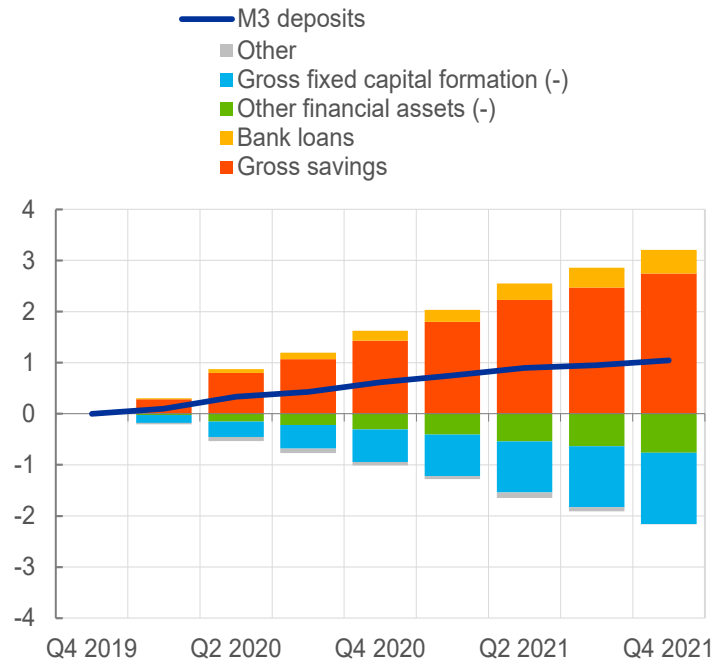


Sources: Eurostat and ECB calculations.

Notes: The latest observation is for the last quarter of 2021. The data are seasonally adjusted.

## Drivers of household M3 deposits

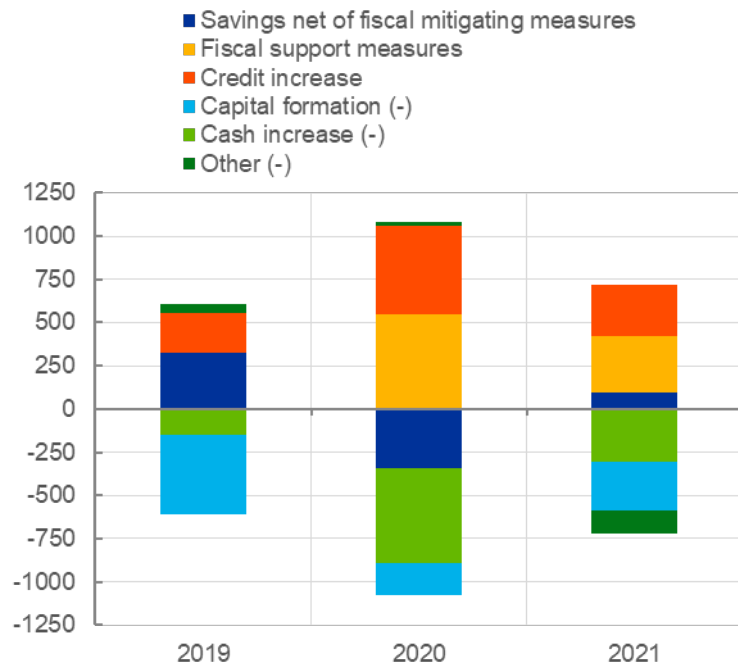
(accumulated flows since the beginning of 2020 in EUR tn)



Sources: ECB (QSA, BSI) and ECB calculations.

Latest observation: 2021 Q4.

## Uses and sources of funds, including fiscal support measures, for euro area firms (EUR bn)

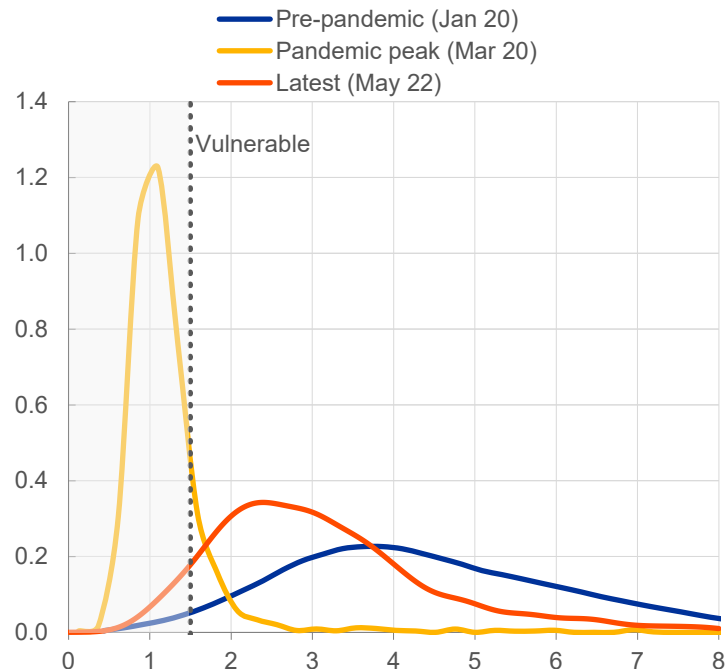


Sources: Eurostat, ECB and ECB estimates.

Notes: "Fiscal support" is defined as the sum of the wage bill savings of firms due to job retention schemes, the effect of moratoria on loan interest payments and rents, tax deferrals and direct grants to firms. "Savings" is gross savings minus consumption of capital. "Credit" includes borrowing from banks and net issuance of debt securities, while "cash" includes currency and deposits. "Capital formation" is gross fixed capital formation plus change in inventories minus consumption of capital. Latest observation: 2021.

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## Distribution of the Distance to Insolvency of euro area firms (density)

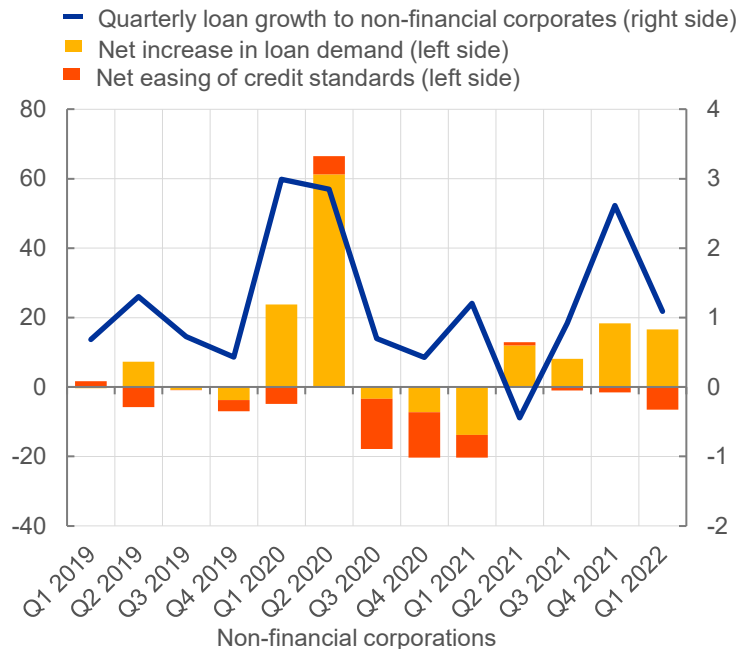


Sources: Refinitiv and ECB calculations.

Notes: The distance to insolvency is based on the inverse of the total volatility of the return of a large sample of euro area listed firms. The densities are obtained through a kernel estimator applied to the cross-sectional values of the distance to insolvency at the selected dates. The vertical line marks the threshold below which firms are characterised as being vulnerable. Latest observation: May 2022 (monthly data).

## BLS bank lending conditions and loan growth to firms

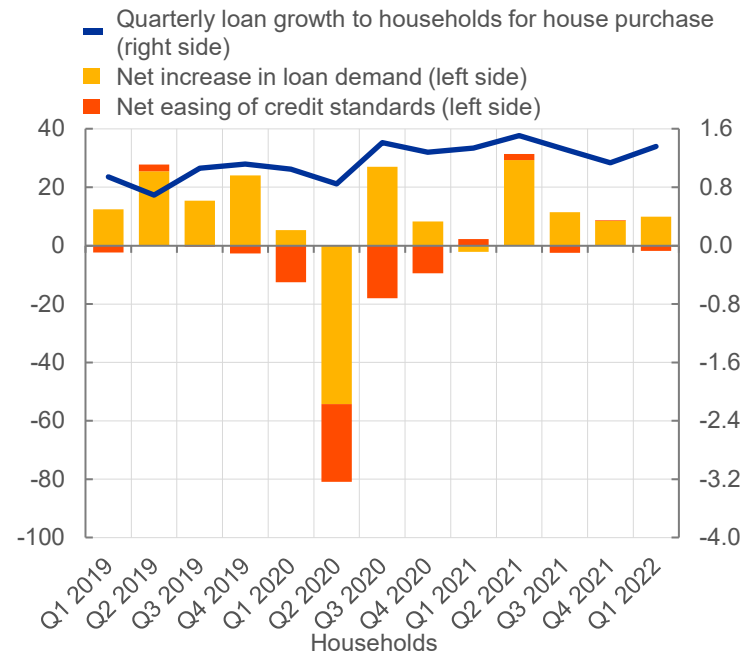
(left side: net percentages of banks reporting an increase in demand/easing in credit standards; right side: percentages)



Source: ECB (BLS and BSI statistics) and ECB calculations.  
 Note: Loan growth based on notional stocks. Loans are adjusted for seasonality and for sales, securitisation, and cash pooling activities.  
 Latest observation: 2022Q1.

## BLS bank lending conditions and loan growth to households

(left side: net percentages of banks reporting an increase in demand/easing in credit standards; right side: percentages)



Source: ECB (BLS and BSI statistics) and ECB calculations.  
 Note: The BSI and BLS series on households refer to loans for house purchase. Loan growth based on notional stocks. Loans are adjusted for seasonality.  
 Latest observation: 2022Q1.

## Debt ratios

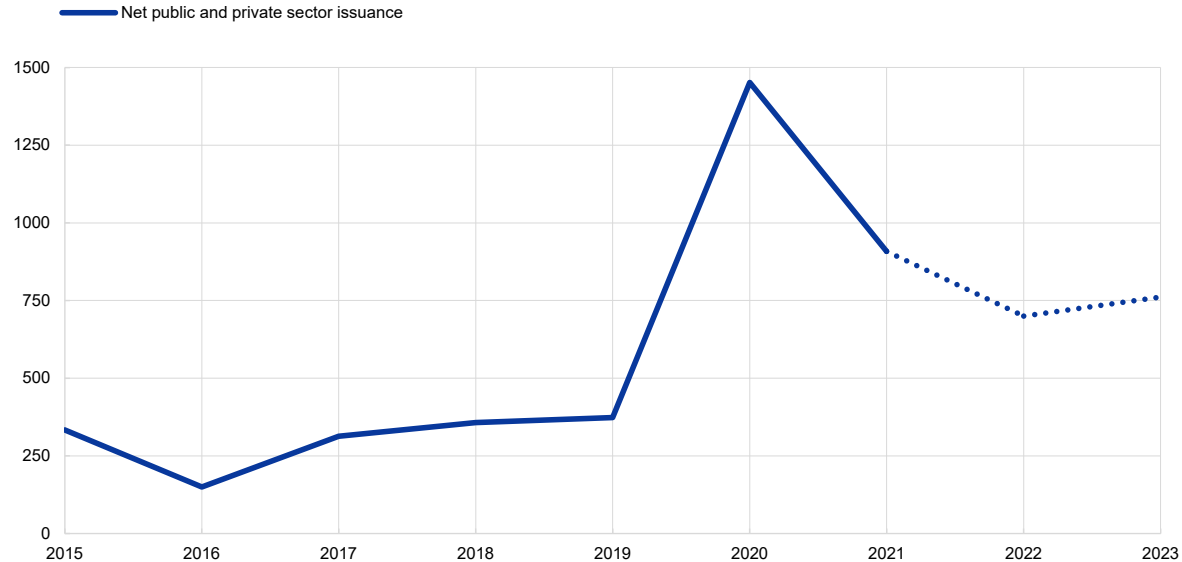
(percentages of GDP)

	2019	2020	2021	2022	2023
<i>European Commission Spring 2022 forecast</i>					
<b>Euro area</b>	86	99	97	95	93
<b>Germany</b>	59	69	69	66	64
<b>France</b>	97	115	113	111	109
<b>Italy</b>	134	155	151	148	147
<b>Spain</b>	98	120	118	115	114
<b>Belgium</b>	98	113	108	108	108
<b>Portugal</b>	117	135	127	120	115
<i>European Commission Autumn 2020 forecast</i>					
<b>Euro area</b>	86	102	102	103	-
<b>Germany</b>	60	71	70	69	-
<b>France</b>	98	116	118	119	-
<b>Italy</b>	135	160	160	159	-
<b>Spain</b>	96	120	122	124	-
<b>Belgium</b>	98	118	118	119	-
<b>Portugal</b>	117	135	130	127	-

Source: European Commission.



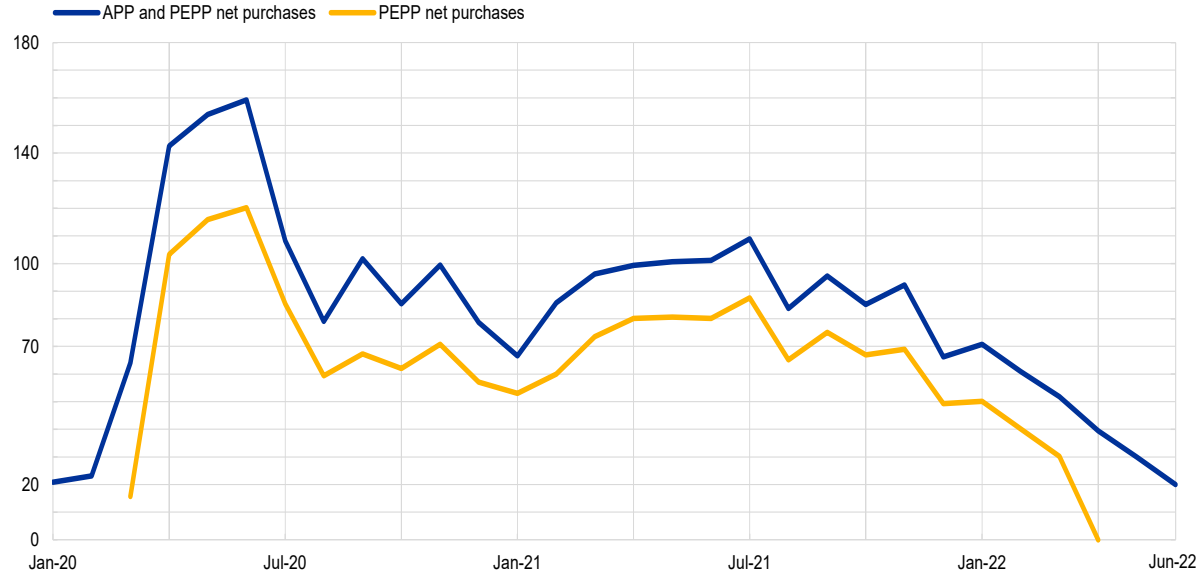
## Annual net issuance of public and private sector securities (EUR billion)



Sources: ECB, ECB calculations, EBA, debt management offices.

Notes: The dotted line shows projected debt issuance according to a survey of sovereign debt management offices in 2022 and 2023 for public securities and ECB staff projections for securities issued by the non-financial corporate sector and European Banking Authority for securities issued by the banking sector.

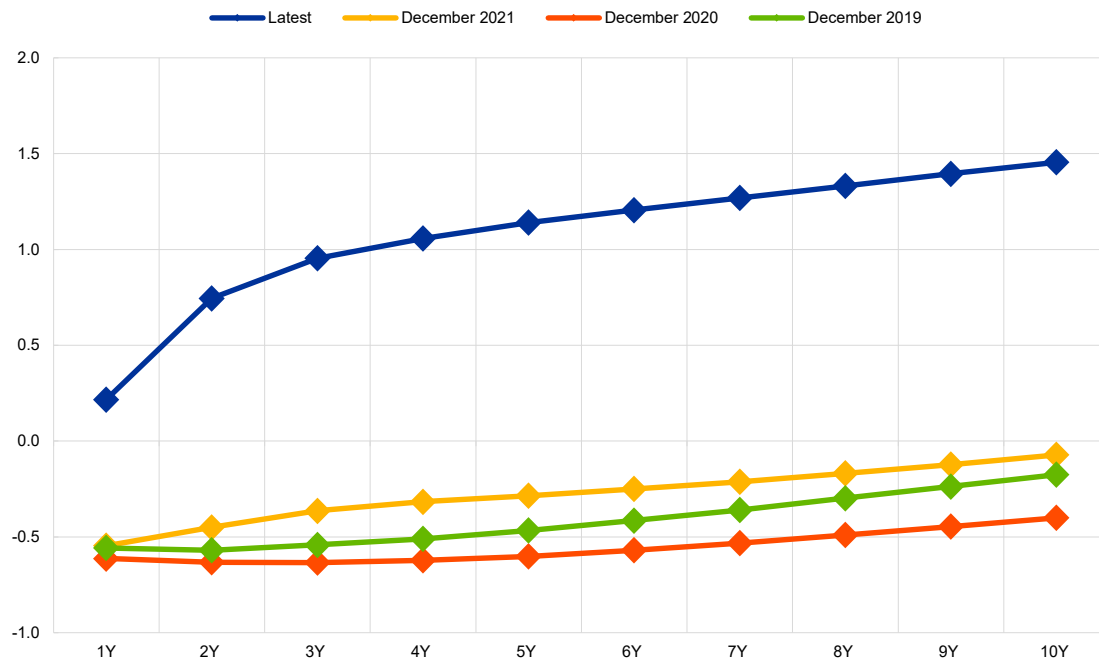
## Monthly flow of net purchases under APP and PEPP (EUR billions)



Source: ECB.

Notes: The chart shows aggregated net purchases for the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) at month-end. The latest observations are for April 2022. The values for May and June 2022 reflect the ECB's most recent monetary policy announcement.

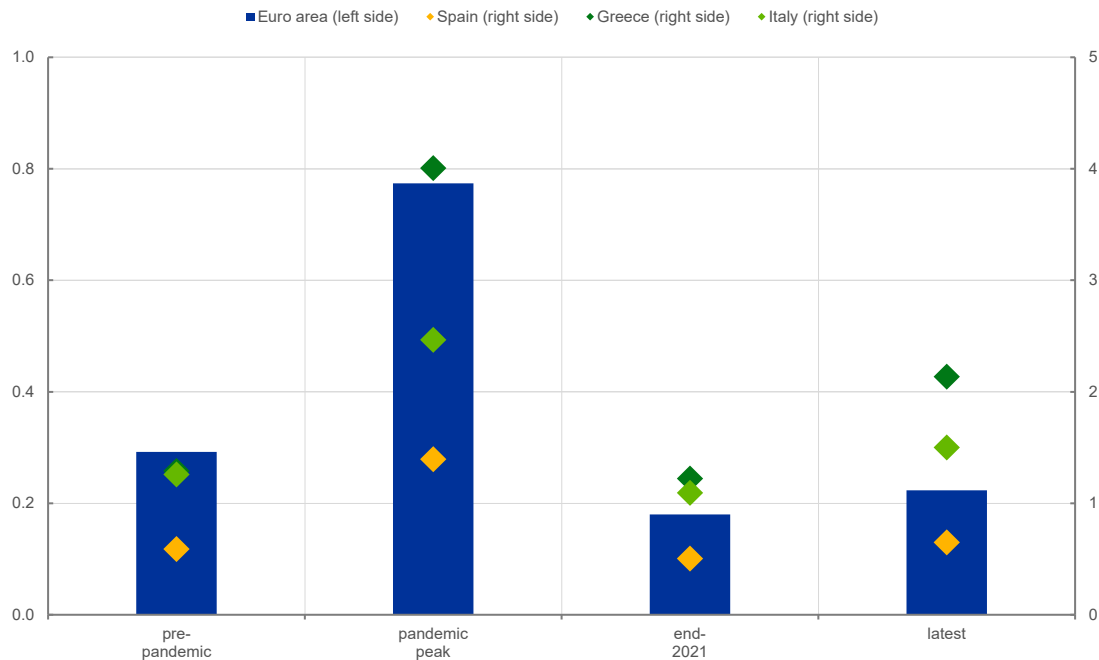
## Overnight interest rate swap yield curve (percentages per annum)



Sources: Bloomberg, Refinitiv and ECB calculations.

Note: The curves refer to the day before the respective Governing Council meetings (15 December 2021, 9 December 2020 and 11 December 2019). The latest observations are for 18 May 2022.

## 10-year sovereign spreads over OIS rates (percentages per annum)



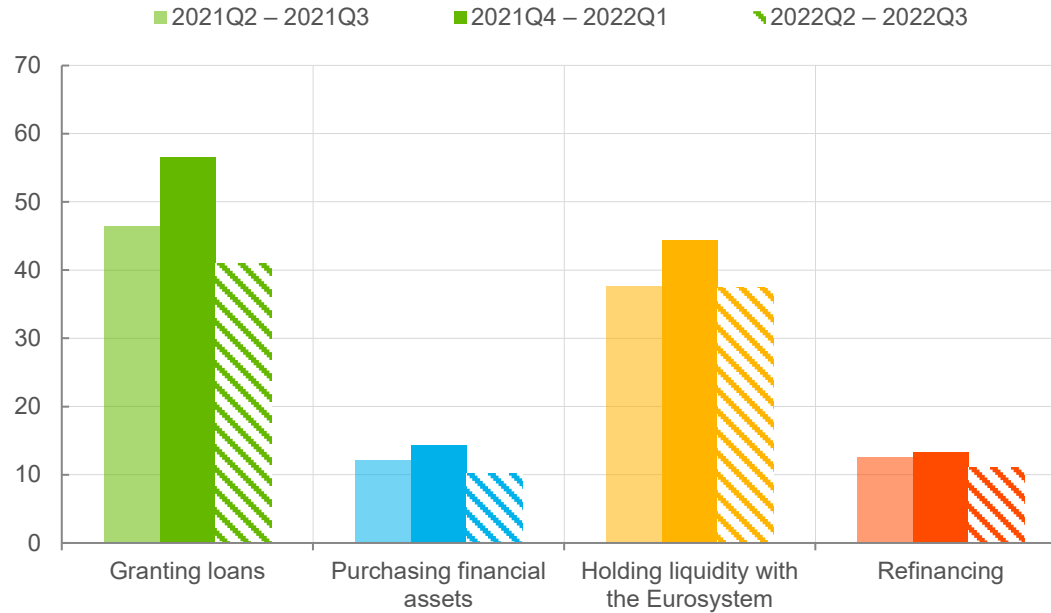
Source: Refinitiv and ECB calculations.

Notes: The spread is the difference between the respective 10-year sovereign yield and the 10-year OIS rate. For the Euro area the 10-year yield is GDP-weighted.

Pre-pandemic refers to 19 February 2020 and the pandemic peak to 18 March 2020.

Latest observation: 18 May 2022.

## Use of TLTRO III liquidity by banks (percentages of banks over the past and next six months)



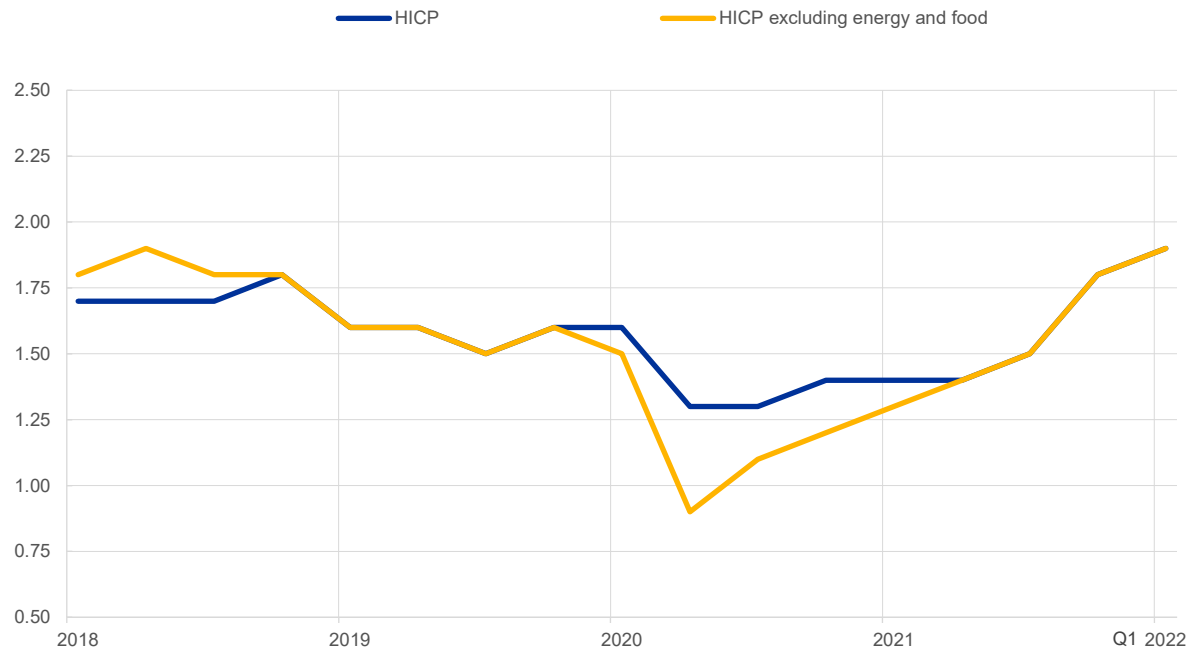
Sources: ECB Bank Lending Survey (BLS).

Notes: Banks were asked to indicate the relevance of the different objectives, with multiple mentions possible.

"Purchasing financial assets" is the average of "purchasing domestic sovereign bonds" and "purchasing other financial assets". "Granting loans" refers to loans to the non-financial private sector. The last period denotes expectations indicated by banks in the January 2022 BLS round.

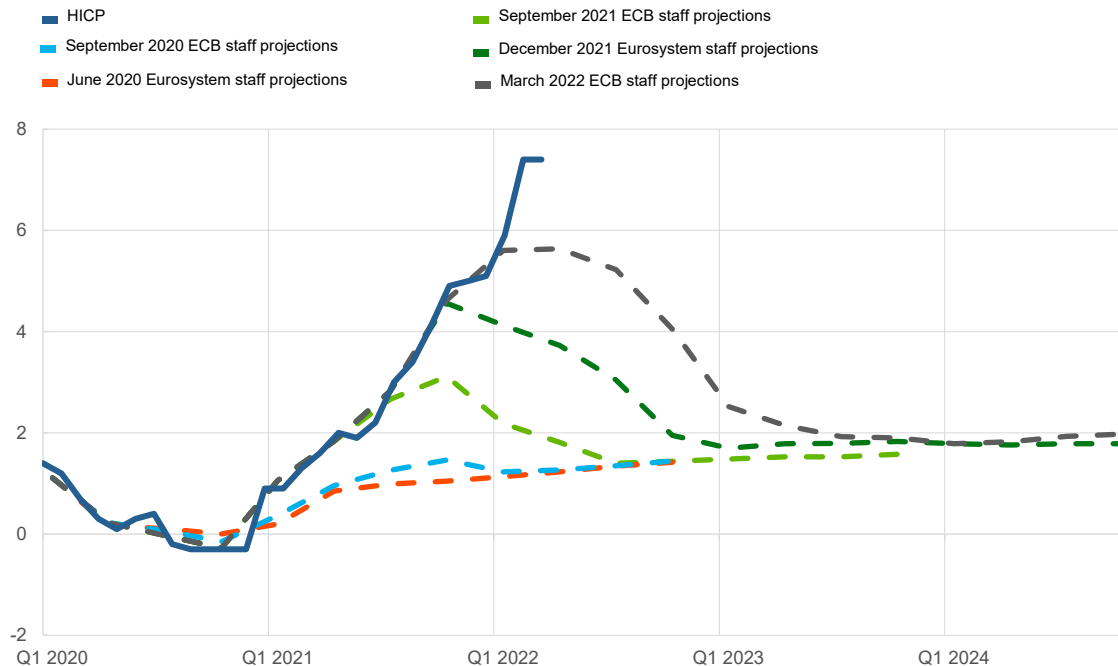
Latest observation: 2022 Q1.

## End-of horizon projections for HICP and HICPX inflation in the ECB/Eurosystem staff projections (percentages per annum)



Source: ECB/Eurosystem staff macroeconomic projection exercise, ECB calculations.  
Notes: The last observation is for the March 2022 macroeconomic projection exercise.

## HICP and BMPE projections (annual percentage change)

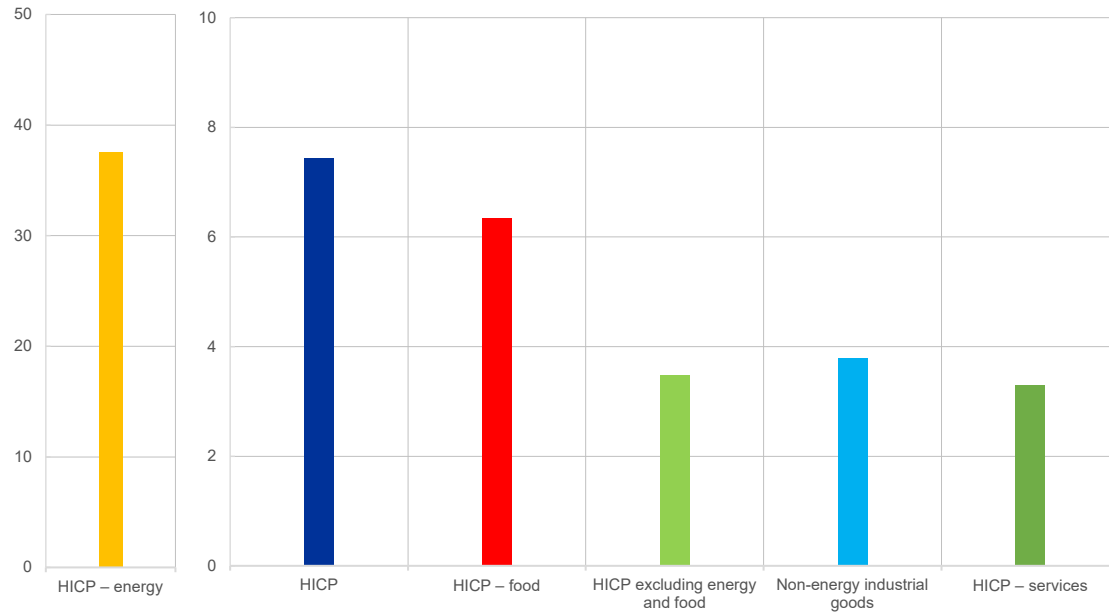


Source: Eurostat, Eurosystem staff projections.

Notes: Historical data are at monthly frequency. Forecast data are at quarterly frequency.

Latest observation: April 2022 for HICP.

## Energy, food, goods and services inflation (annual percentage changes)

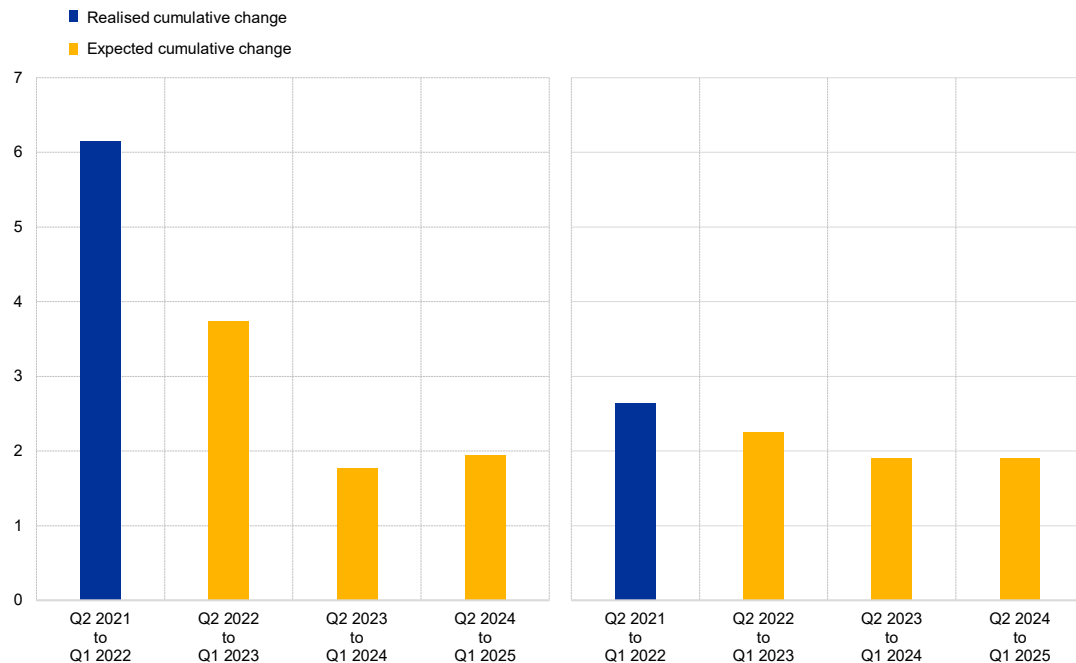


Sources: Eurostat and ECB calculations.

Note: The HICP - food series shown is HICP food including alcohol and tobacco. The latest observations are for April 2022.



## Realised and expected level of HICP (left) and HICP excluding energy and food (right) (percentages)

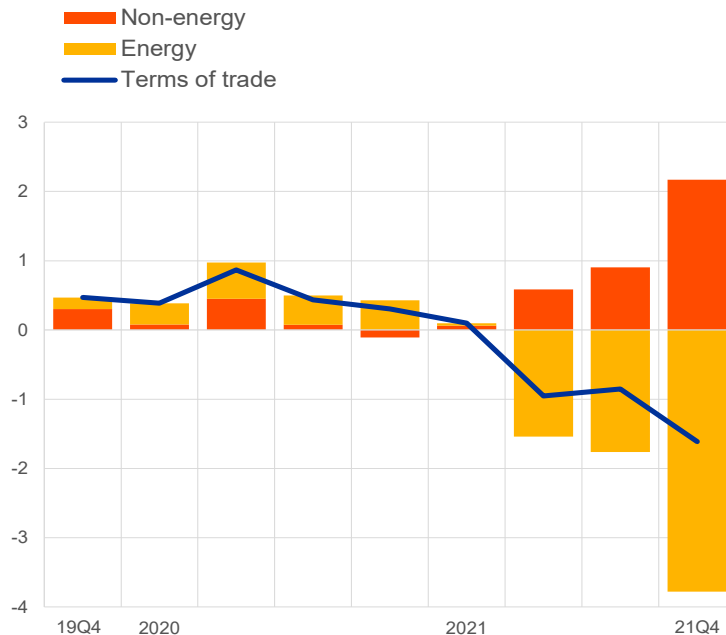
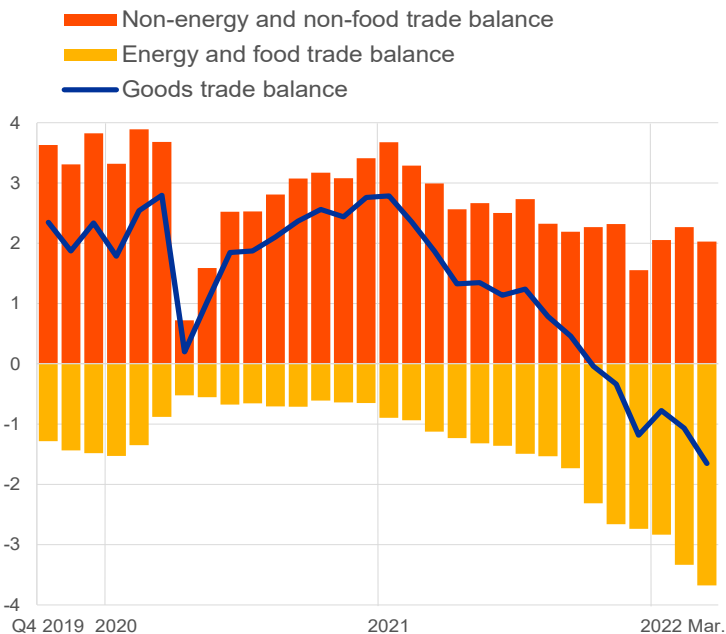


Source: Survey of Monetary Analysts.

Note: Expectation is based on the median from the April 2022 Survey of Monetary Analysts.

## Goods trade balance and income effect of terms of trade

(left panel: in percentages of GDP; right panel: quarterly percentage point impact in terms of annual GDP growth)



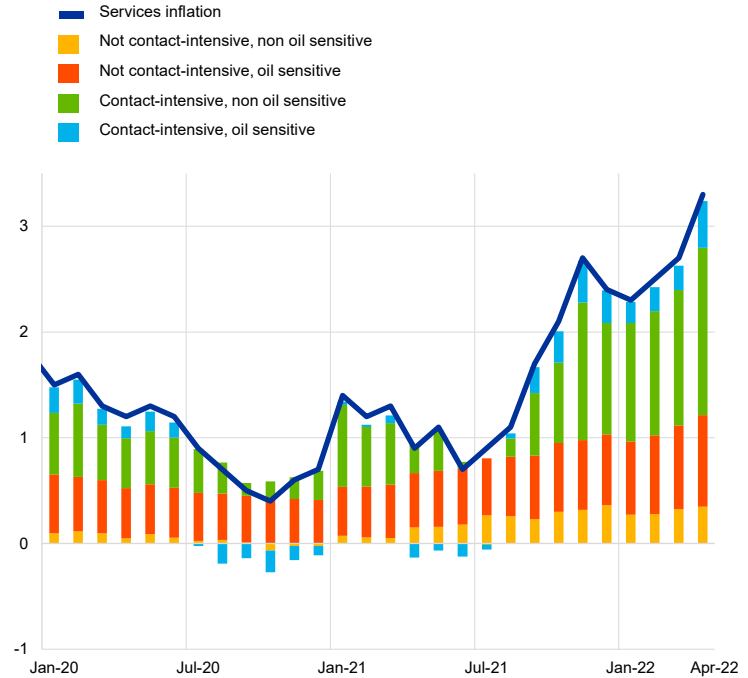
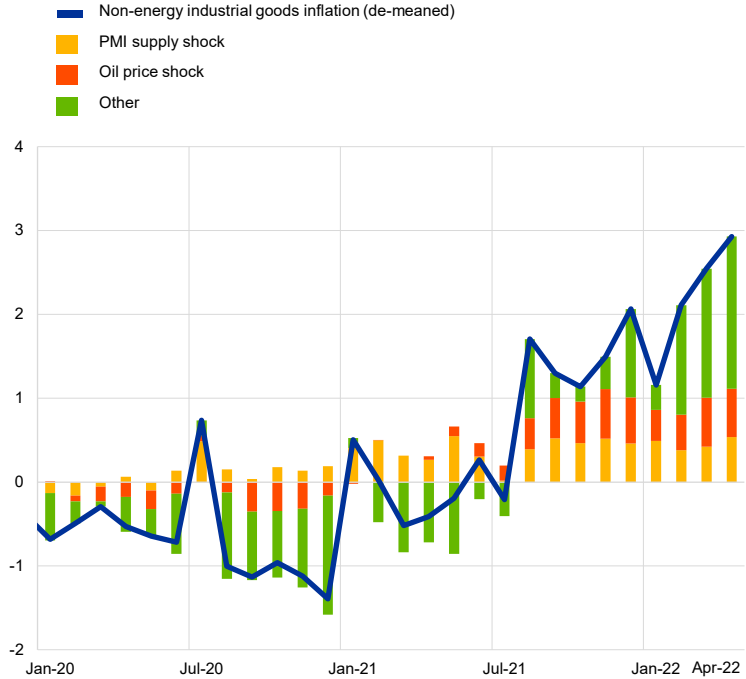
Source: Eurostat and ECB calculations.

Notes: left panel: The value for GDP in Q1 2022 is forecasted; right panel: The income effect of terms of trade is calculated by weighing export and import price changes by their respective volumes and considered as a percentage share of GDP.

Latest observations: left panel: March 2022; right panel: Q4 2021.

# Decomposition of inflation in non-energy industrial goods and services inflation

(annual percentage changes; percentage point contributions)

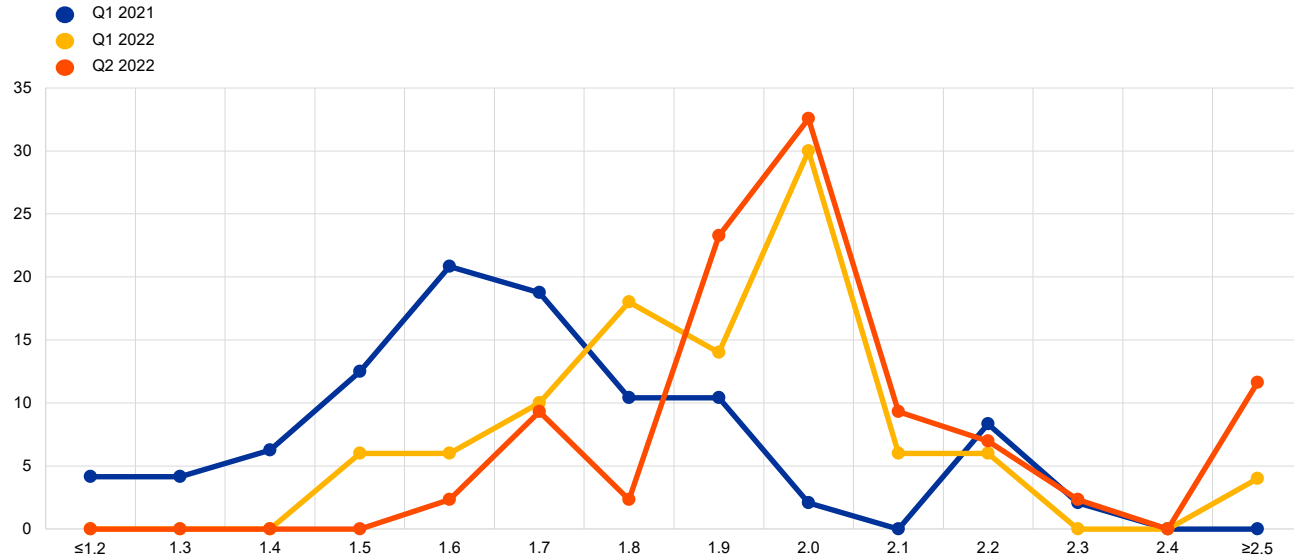


Sources: Eurostat, Narrow Inflation Projections Exercise and ECB calculations.

Notes: HICP non-energy industrial goods inflation is de-meaned by the model mean over the sample from July 2009 to February 2022. Services inflation is decomposed with non-constant weights. The latest observations are for April 2022.

## Long-term inflation expectations

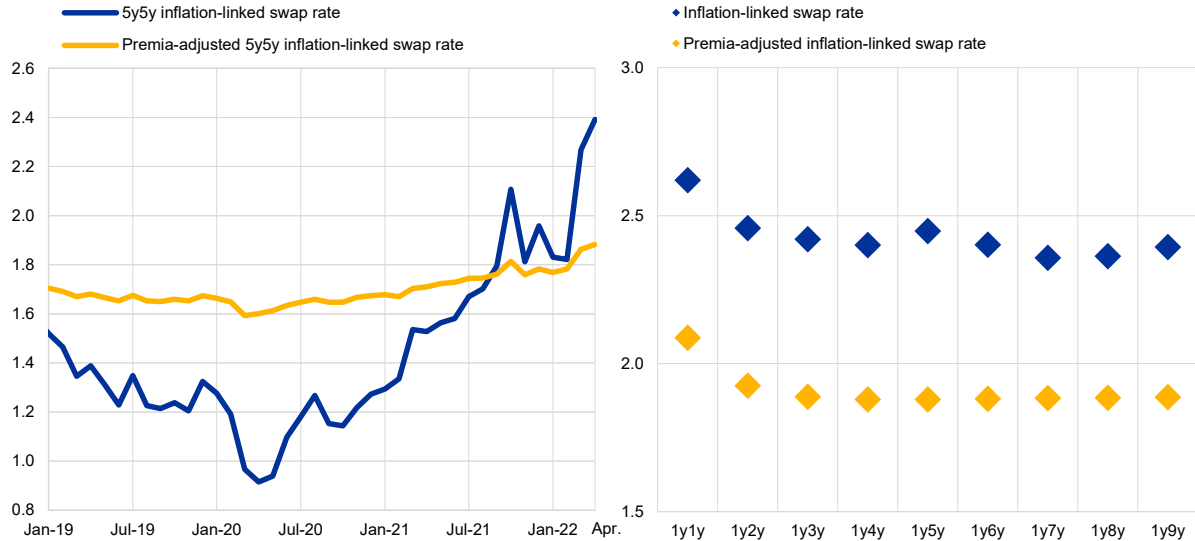
(annual percentage changes; percentages of respondents)



Source: ECB Survey of Professional Forecasters.

Notes: Respondents are asked to report their point forecasts and to separately assign probabilities to different ranges of outcomes. This chart shows the distribution of point forecast responses.

## Inflation-linked swap rate (percentages per annum)

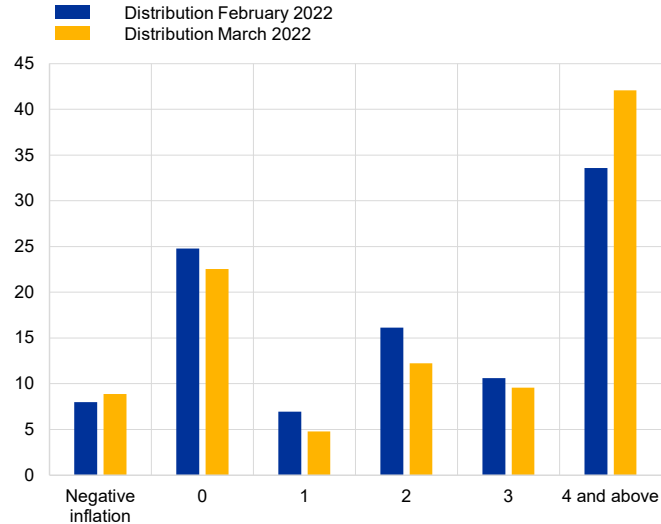
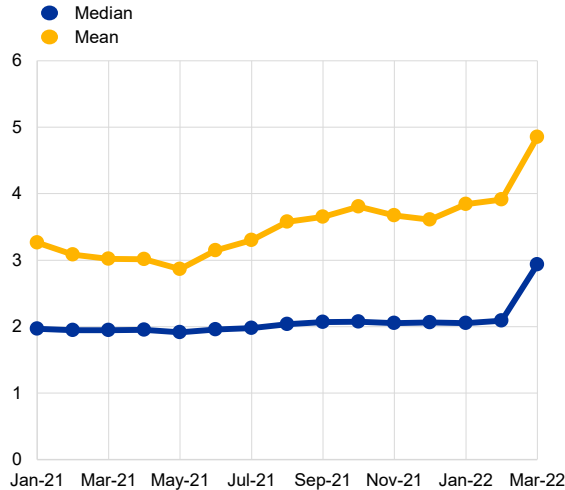


Sources: Refinitiv and ECB calculations.

Notes: Premia-adjusted average estimates based on two affine term structure models following Joslin, Singleton and Zhu (2011) applied to ILS rates adjusted for the indexation lag (monthly data), as in Camba-Mendez and Werner (2017); see Burban et al. (2021), "Decomposing market-based measures of inflation compensation into inflation expectations and risk premia", Economic Bulletin, Issue 8, ECB. The latest observations are for the end of April 2022 (monthly models).

## Inflation expectations in the ECB Consumer Expectations Survey

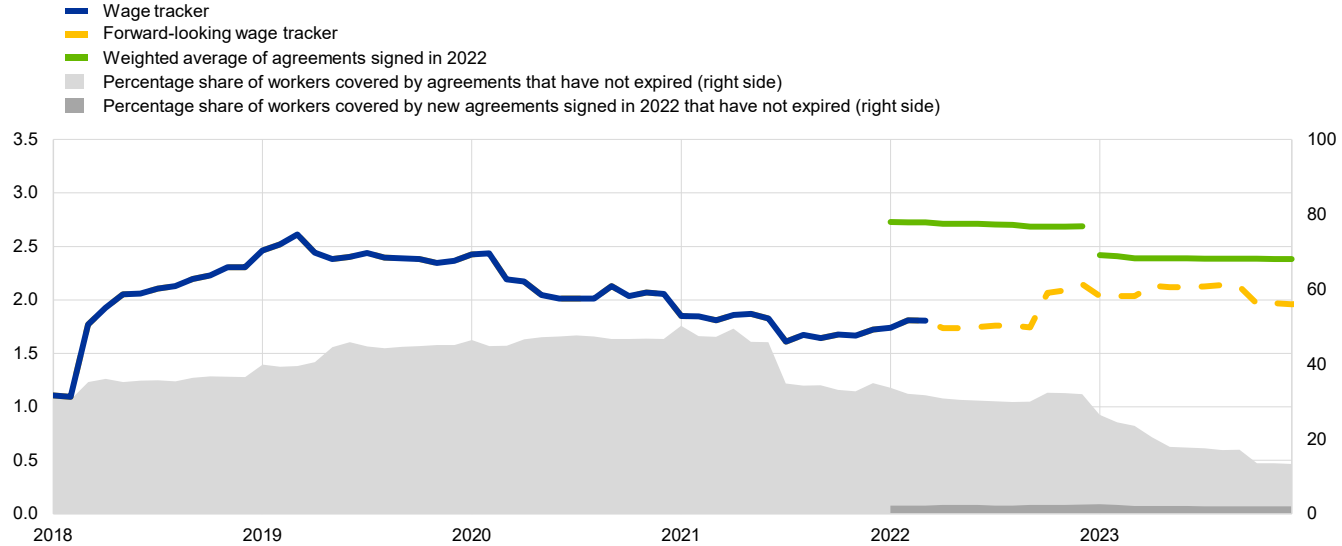
(left panel: annual percentage changes; right panel: annual percentage changes; percentages of respondents)



Sources ECB Consumer Expectations Survey and ECB staff calculations.

Notes: "Median" refers to the median across individual respondents. The data are winsorised at the 2nd and 98th percentile. The latest observations are for March 2022.

## Forward-looking euro area wage tracker (annual percentage changes; percentage share)



Sources: Calculated based on microdata on wage agreements in Germany, Italy, Spain and the Netherlands. Data for the Netherlands is based on the database maintained by the Dutch employer association AWWN. For Italy the data comes from Istat (contratti collettivi e retribuzioni contrattuali), for Spain from the Ministerio de Trabajo y Economía Social and for Germany from Bundesbank.

Notes: Experimental euro area wage tracker includes weighted average of Germany, Italy (data from July 2021 to September 2022) Spain and the Netherlands. The orange line shows the weighted average of wage increases in agreements that have not yet expired, weighted by the number of workers covered by these agreements. The green lines show weighted averages of wage increases in agreements that were concluded in 2022, weighted by the number of workers covered by these agreements. Latest observations: Last agreements signed in NL and ES April 2022, IT and DE in March 2022.