

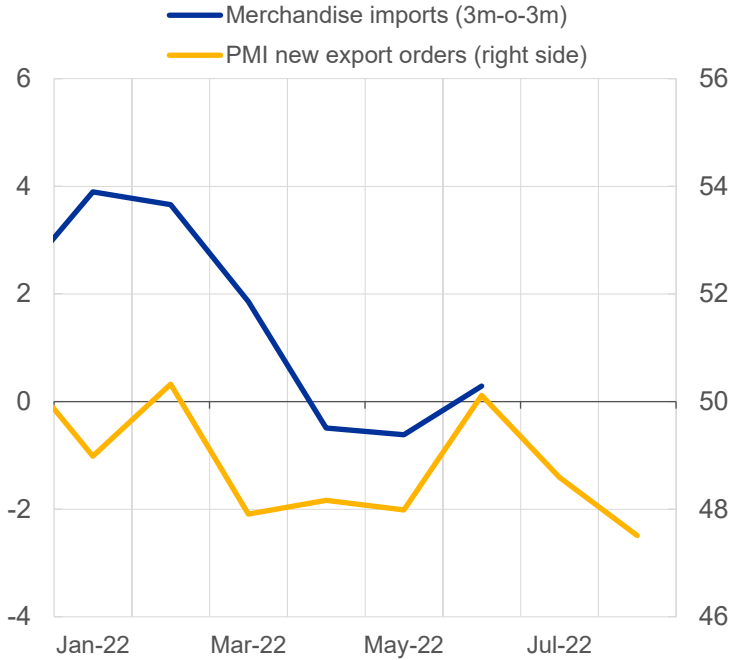
Philip R. Lane
Member of the Executive Board

Cantillon Lecture

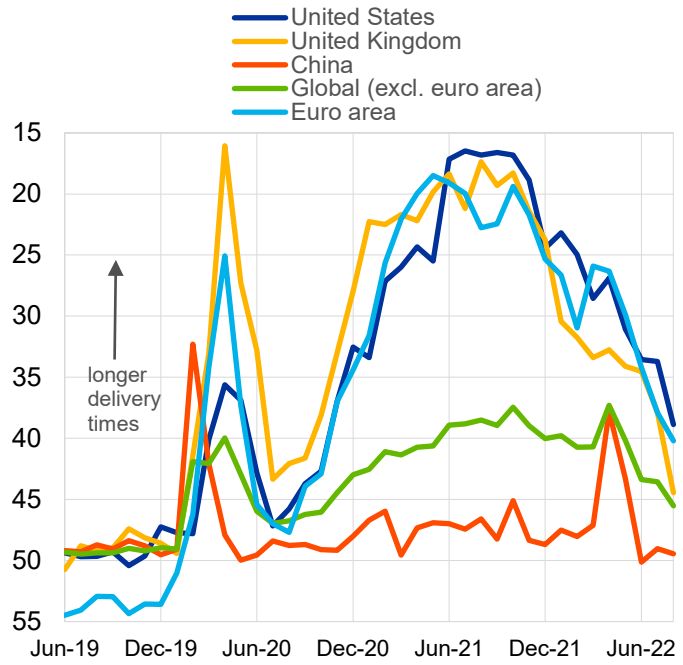
45th DEW Annual Economic Policy Conference
17 September 2022

Global (excl. EA) merchandise imports and export orders

(lhs: 3m-on-3m percentage change; rhs: diffusion indices)



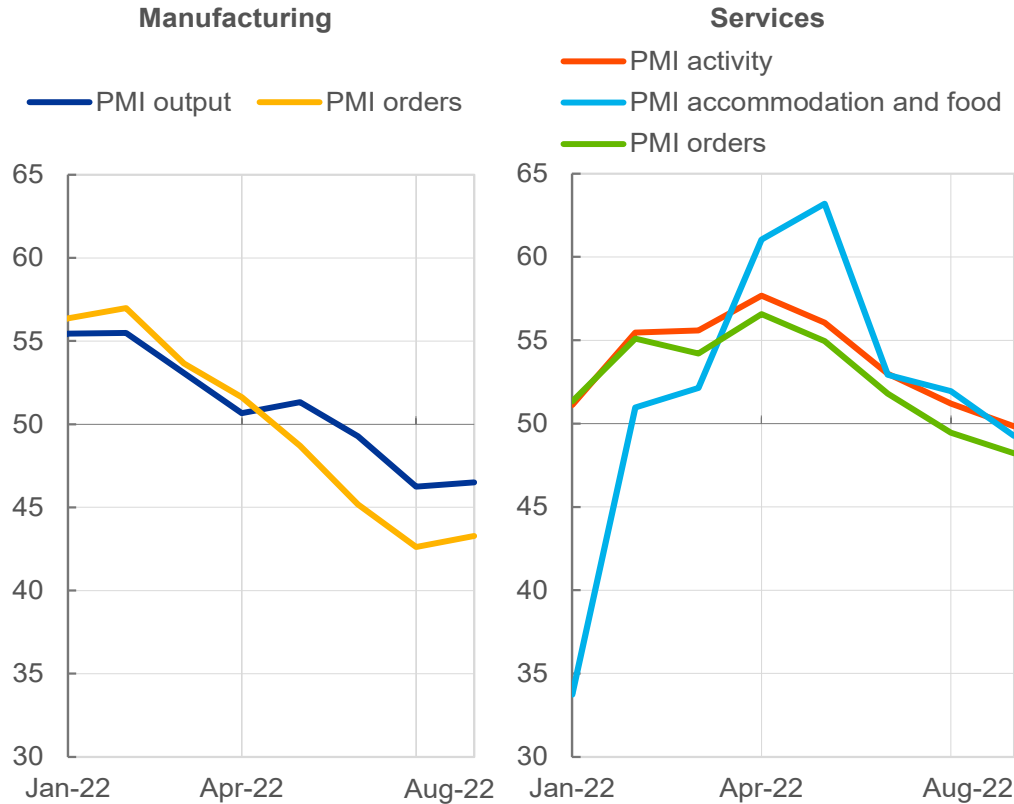
Suppliers' delivery times (diffusion indices)



Sources: S&P Global, CPB (Netherlands Bureau for Economic Policy Analysis) and ECB calculations.
 Latest observations: August 2022 (PMI) and June 2022 (CPB).

Sources: S&P Global and ECB calculations.
 Latest observation: August 2022.

Manufacturing and services (diffusion indices)

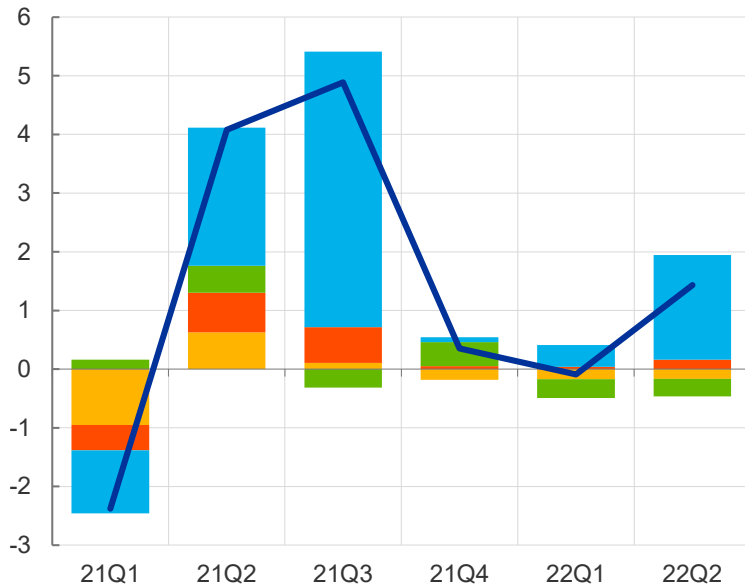
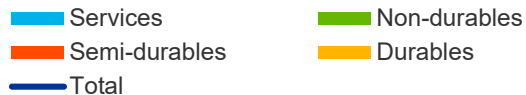


Source: S&P Global.
Latest observation: August 2022.

Euro area private consumption

Household consumption and components

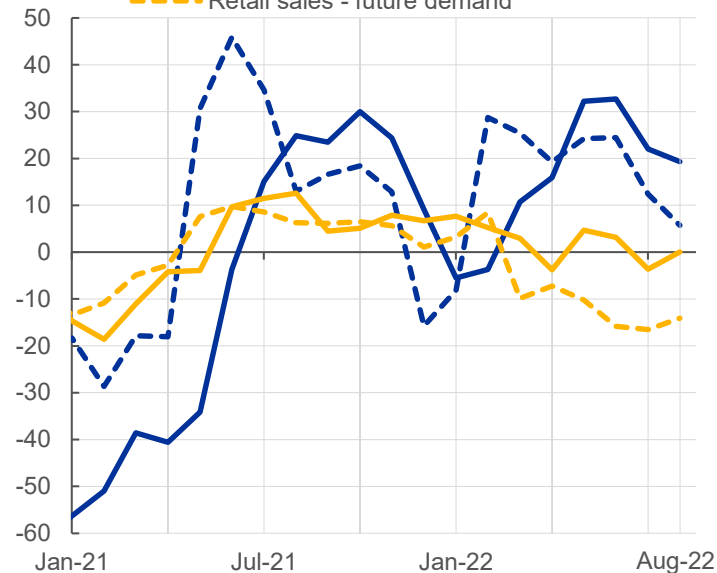
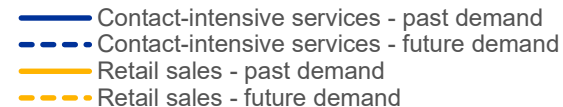
(q-o-q percentage change, pp. contributions)



Sources: Eurostat and ECB calculations.
Latest observation: 2022 Q2.

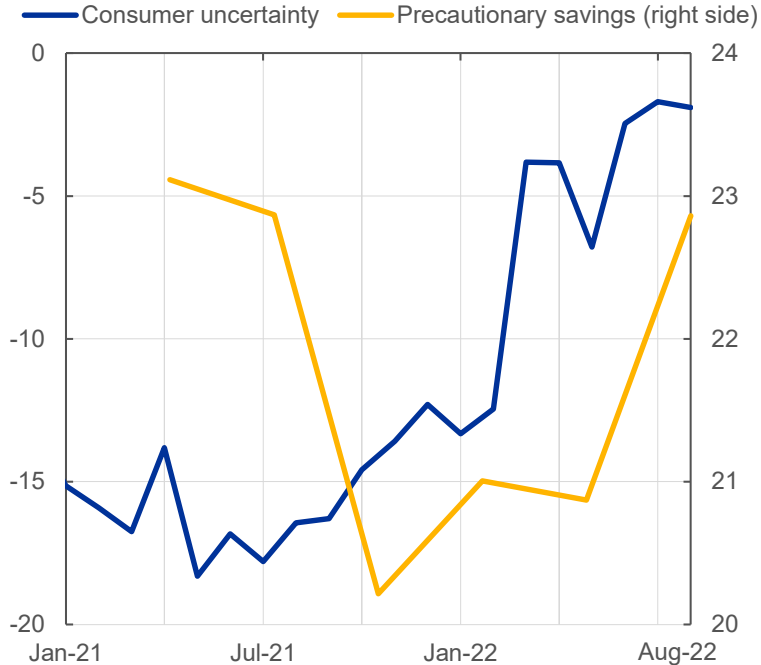
Demand for contact-intensive services and retail sales

(percentage balances)



Sources: DG-ECFIN and ECB calculations.
Notes: Data for contact-intensive services aggregated using sectoral value added for accommodation, travel and food and beverages. Past demand corresponds to demand perceptions over the last 3 months, future demand corresponds to demand expectations over the next 3 months.
Latest observation: August 2022.

Uncertainty and savings (percentage balances, percent)

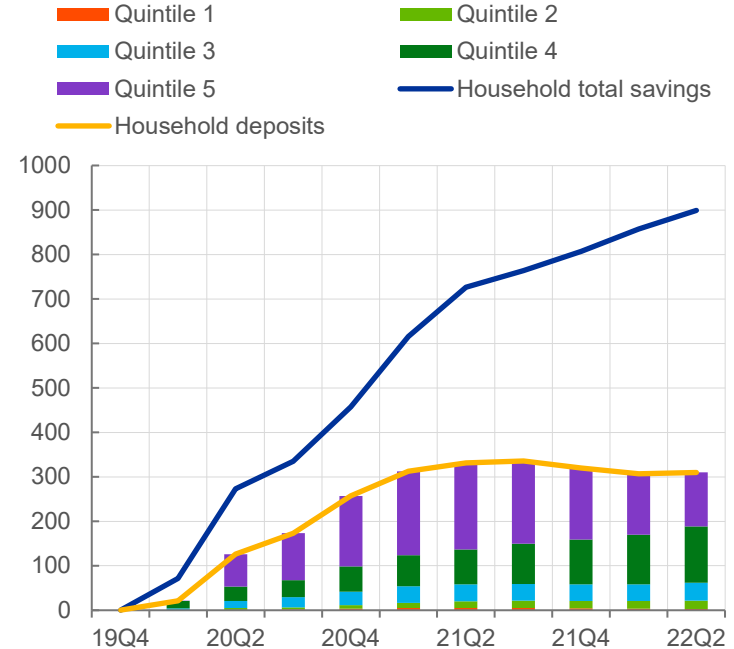


Sources: DG-ECFIN, CES and ECB calculations.

Note: Savings are quarterly (% of income) and uncertainty monthly (% of respondents).

Latest observations: August 2022 for consumer uncertainty and 2022Q3 for precautionary savings.

Accumulated amount of savings (with respect to 2019Q4; billions euro)



Sources: ECB, Eurostat, ECB calculations.

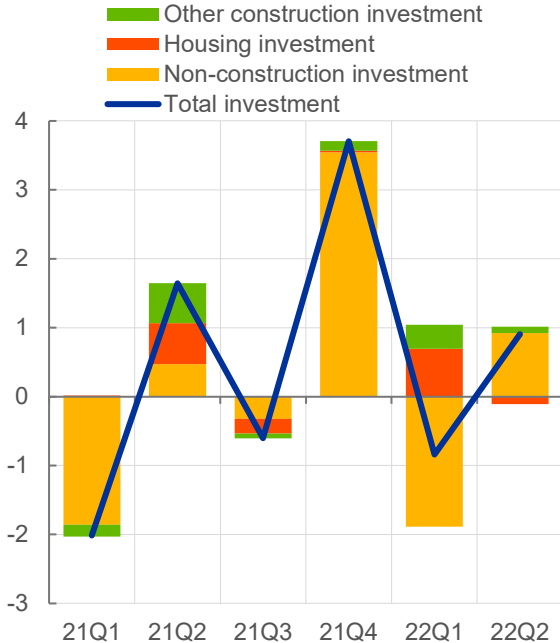
Notes: Data for 22Q2 are based on ECB staff estimates. Excess savings in deposits are allocated to the net wealth distribution using shares based on the experimental DWA.

Latest data: 22Q1; latest observations: 22Q2.

Euro area housing and business investment

Total investment and components

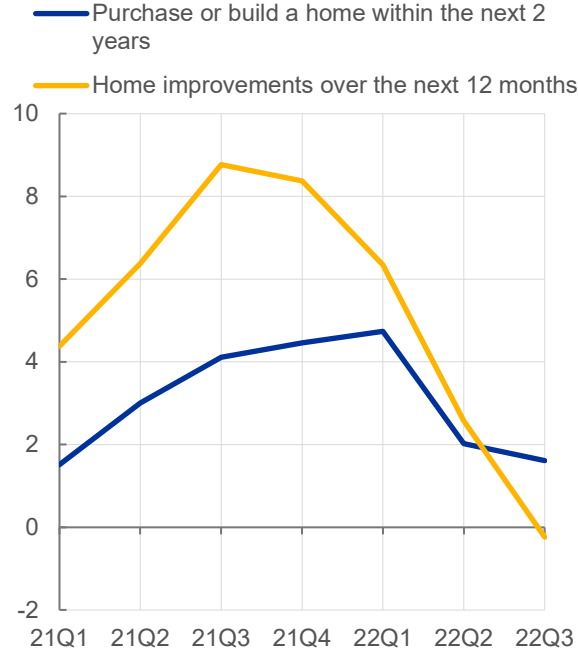
(q-o-q percentage changes, pp. contributions)



Source: Eurostat.
 Note: Non-construction investment is obtained subtracting total construction (private and public construction investment) from gross fixed capital formation.
 Latest observation: 2022Q2.

Household intentions to renovate, build or buy a house

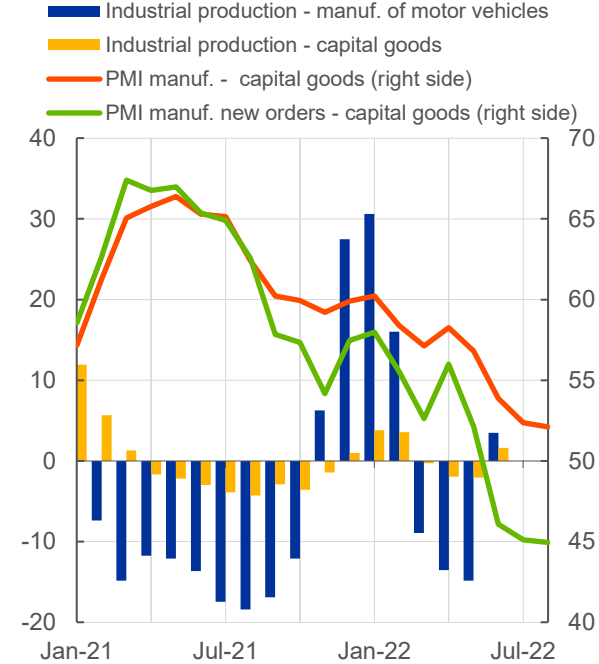
(deviations from long-term averages, net percentages)



Sources: DG-ECFIN and ECB calculations.
 Note: Long-term averages are calculated over the period since 2000.
 Latest observation: 2022 Q3.

Capital goods sector indicators

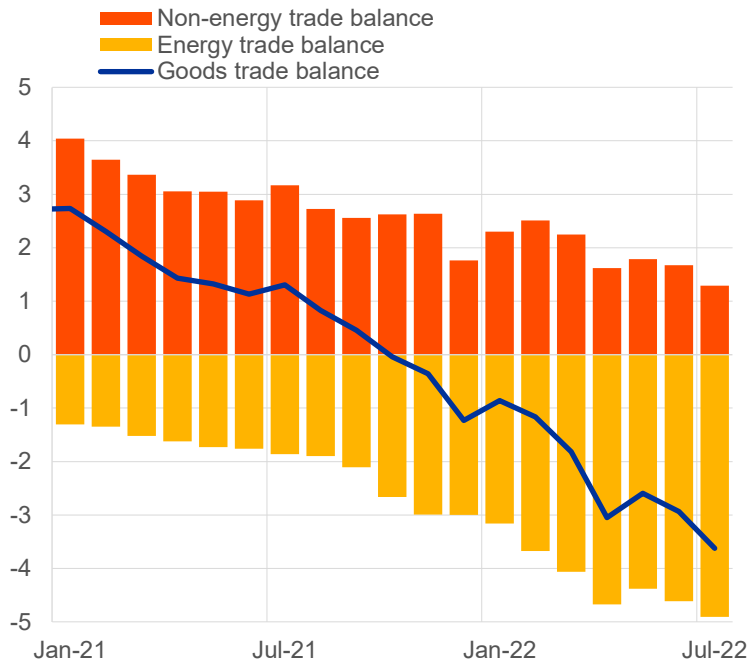
(3m-on-3m moving average of monthly percentage changes, diffusion indices)



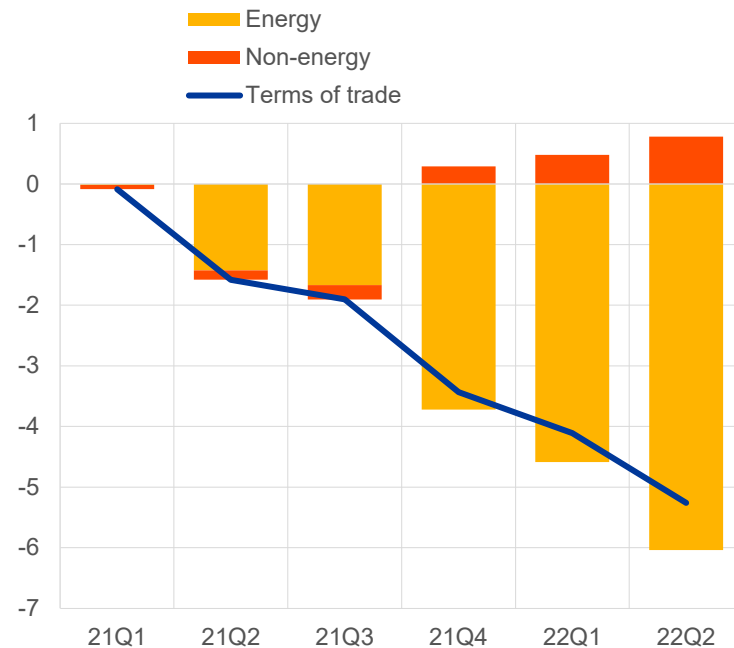
Sources: Eurostat, S&P Global and ECB calculations.
 Latest observations: July 2022 for PMI; June 2022 for industrial production.

Euro area trade balance and income effect of terms of trade

Goods trade balance by component (percent of GDP)



Income effect of terms of trade for goods (pp. impact on year-on-year growth)

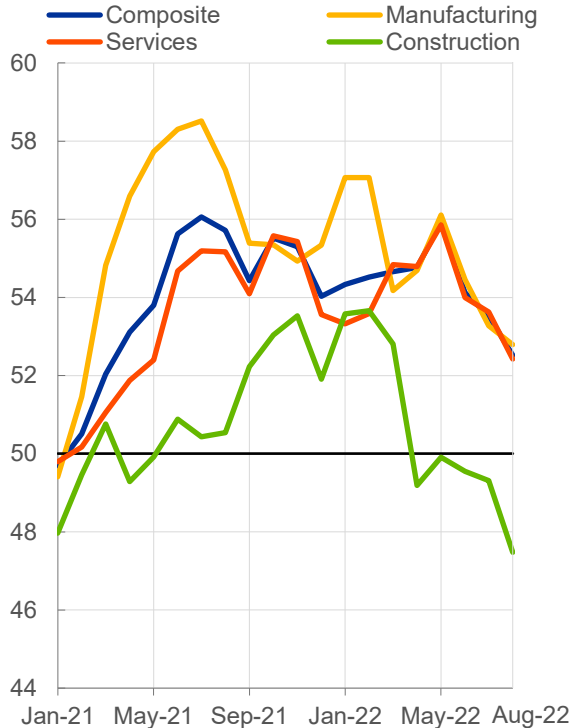


Sources: Eurostat and ECB calculations.
Note: GDP in 2022Q3 is forecasted.
Latest observation: July 2022.

Sources: Eurostat and ECB calculations.
Latest observation: 2022Q2.

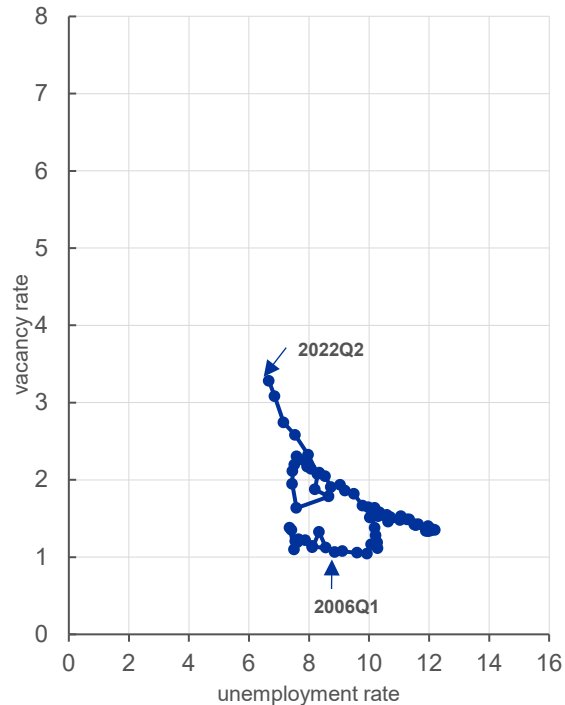
Euro area PMI employment and the Beveridge curve

Euro area PMI employment (diffusion indices)



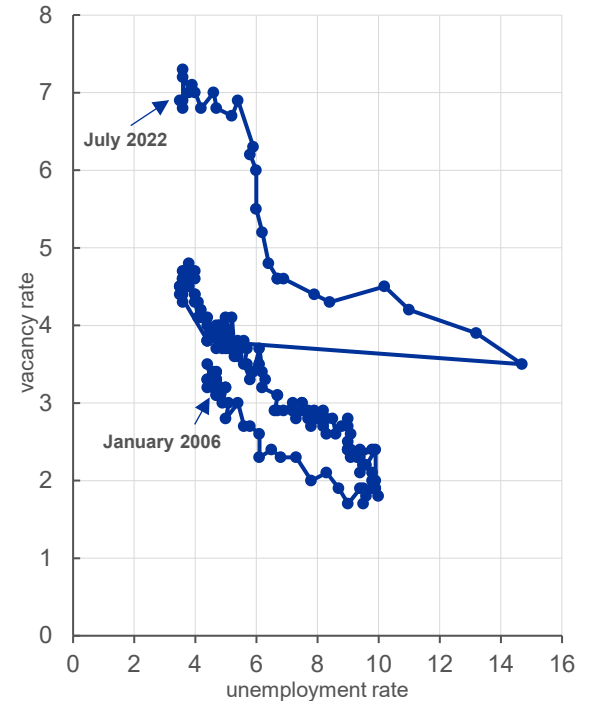
Source: S&P Global.
Latest observation: August 2022.

Euro area Beveridge curve (percentages)



Source: Eurostat.
First observation: 2006Q1.
Latest observation: 2022Q2.

US Beveridge curve (percentages)



Source: Bureau of Labor Statistics.
First observation: January 2006.
Latest observation: July 2022.

September 2022 projections: technical assumptions

	September 2022 assumptions			Revisions vs. June 2022 assumptions		
	2022	2023	2024	2022	2023	2024
Oil prices (levels in USD)	105.4	89.8	83.6	-0.3	-3.9	-0.8
Oil prices (levels in EUR)	100.4	89.1	83.0	1.5	0.2	3.5
Natural gas price (EUR/MWh)	168	235	165	70	191	163
Effective exchange rate (index 1999Q1=100)	115.77	113.92	113.92	-0.81	-1.84	-1.84
USD per EUR (levels)	1.05	1.01	1.01	-1.80	-4.11	-4.11
3-month interest rate (% p.a.)	0.17	1.95	2.06	0.19	0.63	0.50
10-year bond yield (% p.a.)	1.58	2.11	2.24	0.13	0.19	0.18

Source: ECB and Eurosystem staff projections.

Note: Revisions are expressed as percentages for levels and percentage points for interest rates and bond yields.

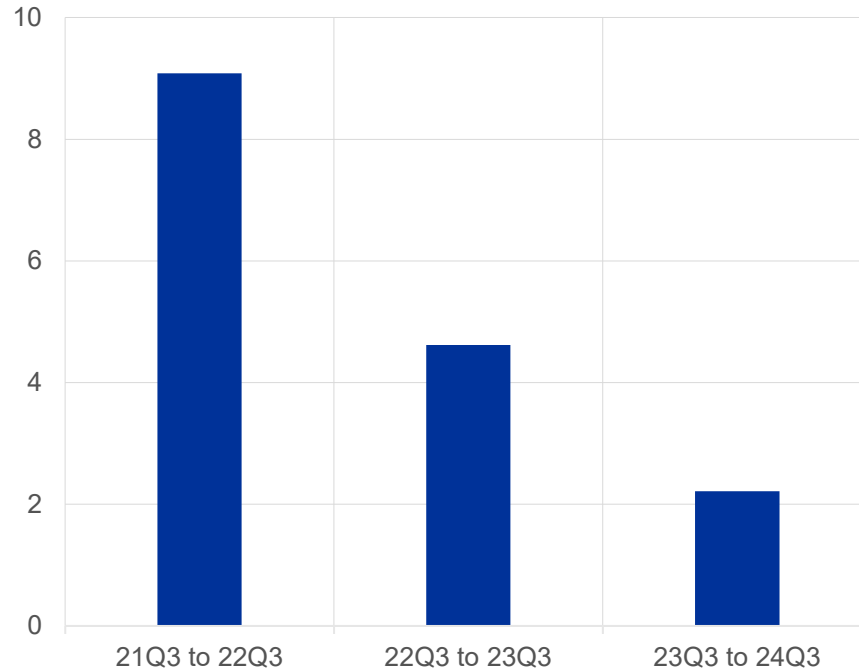
September 2022 projections: key macroeconomic variables

	September 2022 <i>(annual % change)</i>			Revisions vs. June 2022 <i>(percentage points)</i>		
	2022	2023	2024	2022	2023	2024
	Real GDP	3.1	0.9	1.9	0.3	-1.2
Private consumption	3.6	0.7	1.2	0.5	-1.3	-0.3
Government consumption	1.4	-1.3	1.0	0.8	-0.8	-0.1
Total investment	3.1	1.6	3.0	0.3	-1.5	-0.4
HICP	8.1	5.5	2.3	1.3	2.0	0.2
HICP excl. energy and food	3.9	3.4	2.3	0.6	0.6	0.0
Compensation per employee	4.0	4.8	4.0	-0.2	0.5	0.3
	September 2022 <i>(Q4 on Q4 % change)</i>			Revisions vs. June 2022 <i>(percentage points)</i>		
	22Q4	23Q4	24Q4	22Q4	23Q4	24Q4
Real GDP	1.4	1.4	2.0	0.0	-0.8	0.0
HICP	9.2	3.3	2.2	2.8	0.5	0.2

Source: ECB and Eurosystem staff projections.

Note: Revisions calculated based on rounded figures.

HICP inflation (cumulated quarterly changes)



Source: ECB staff projections.

September 2022 ECB staff projections: evolution of euro area inflation

HICP inflation and components

(index, 2021 = 100)

HICP

HICP energy

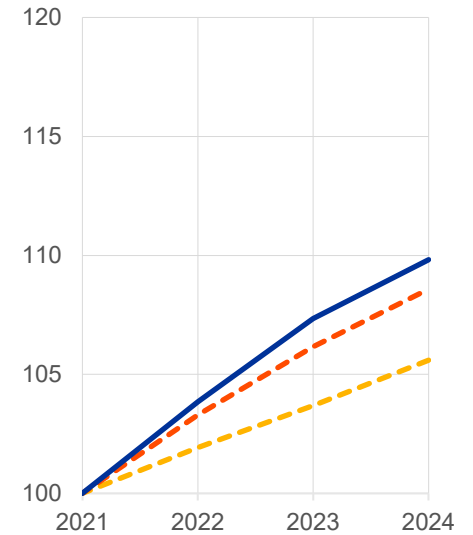
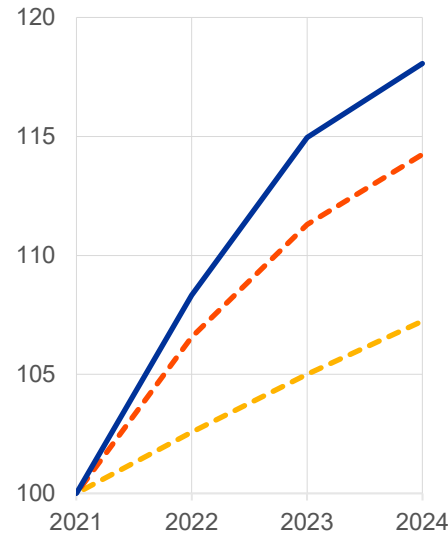
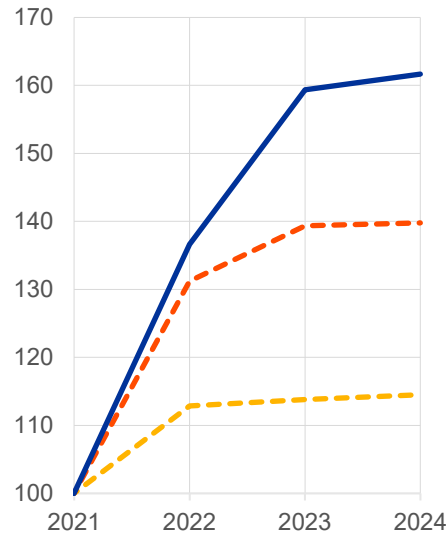
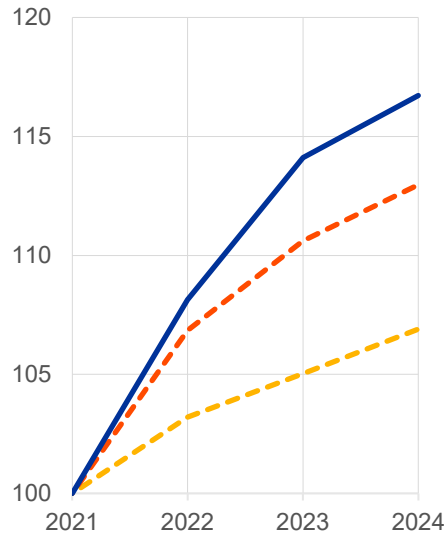
HICP food

HICP excl. energy and food

--- December 2021

--- June 2022

— September 2022

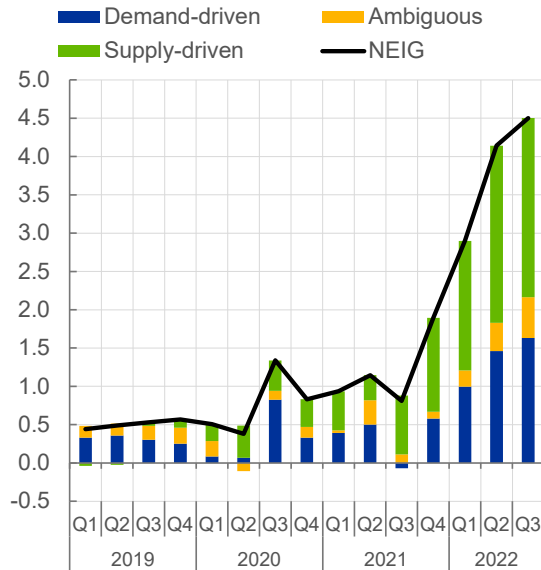


Source: ECB and Eurosystem staff projections.

Euro area goods inflation, pipeline pressures and services inflation

NEIG inflation: supply- and demand-driven components

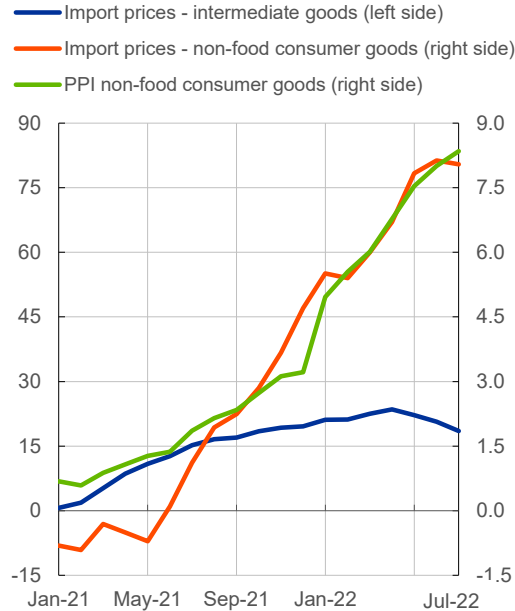
(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.
 Notes (LHS and RHS): Based on an application of Shapiro (2022) "[How much do supply and demand drive inflation?](#)". Series are seasonally adjusted and at constant taxes. Latest observations: 2022Q3 based on price data up to August 2022 and on turnover data up to July 2022, extrapolated (linearly) one month forward based on data since January.

Pipeline pressures for NEIG inflation

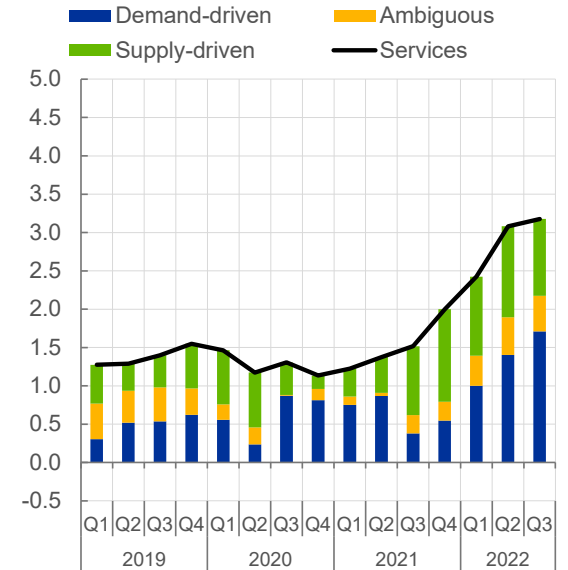
(annual percentage changes)



Sources: Eurostat and ECB calculations.
 Latest observation: July 2022.

Services inflation: supply- and demand-driven components

(annual percentage changes; percentage point contributions)

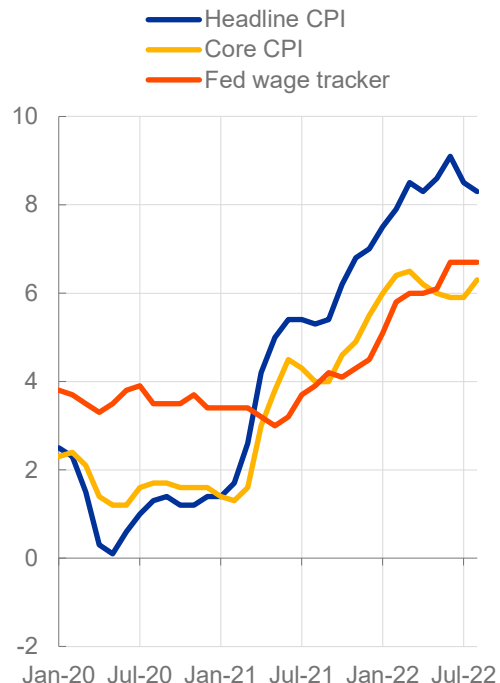


Sources: Eurostat and ECB calculations.
 Notes (LHS and RHS) for details see Gonçalves, E. and G. Koester (2022): "How much do supply and demand drive inflation - decomposing euro area HICPX inflation into supply- and demand-driven items" ECB Economic Bulletin issue 7/2022 (forthcoming).

Euro area and US inflation and wage growth

US: CPI inflation and Fed wage tracker

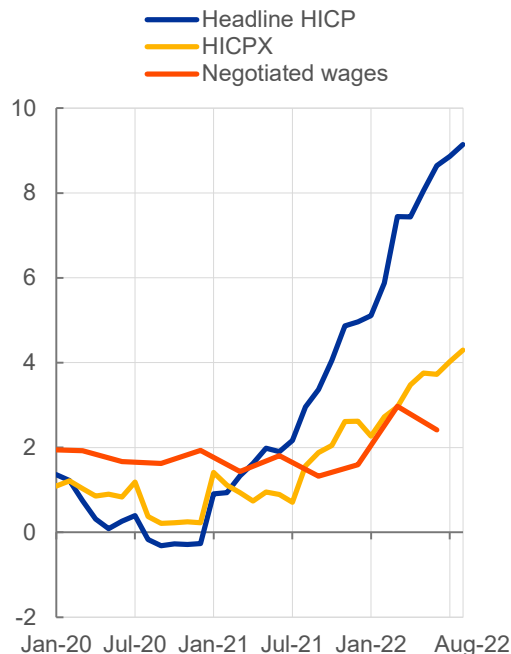
(annual percentage changes)



Sources: Bureau of Labor Statistics and Atlanta Fed.
Latest observation: August 2022.

Euro area: HICP inflation and negotiated wages

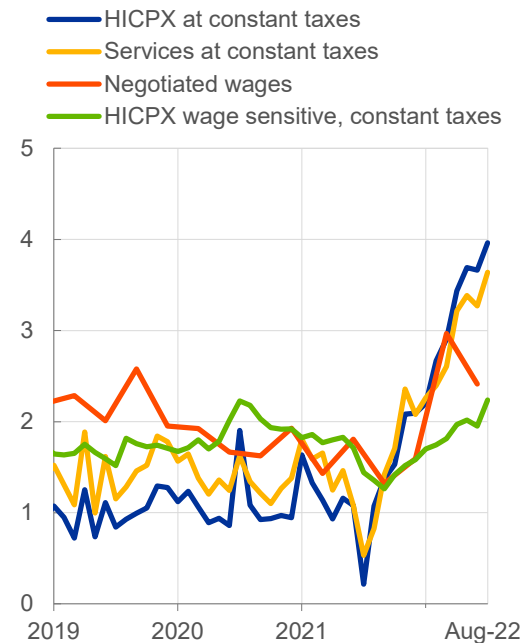
(annual percentage changes)



Sources: Eurostat and ECB calculations.
Notes: Data for negotiated wages were revised due to a new submission for France by Banque de France.
Latest observations: August 2022 for HICP data and 2022 Q2 for negotiated wages.

Euro area: inflation of wage sensitive items

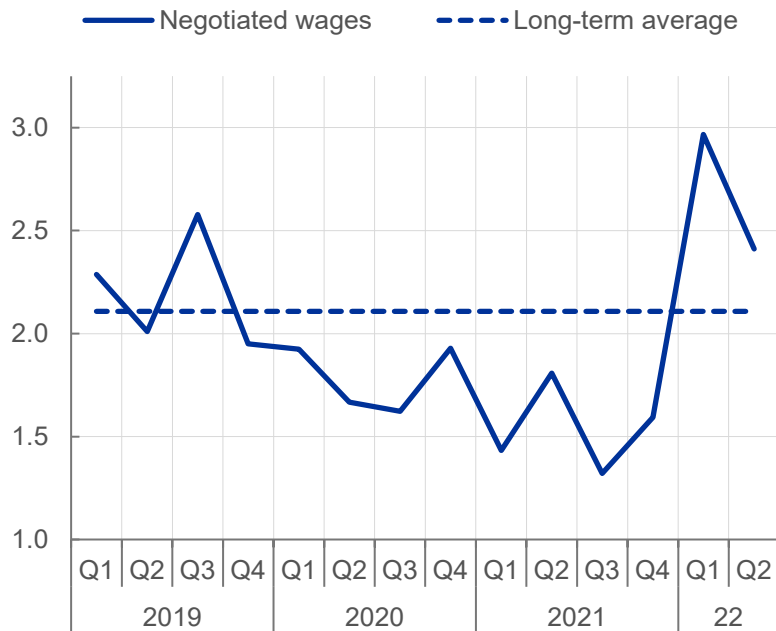
(annual percentage changes)



Sources: Eurostat and ECB calculations.
Note: HICPX wage sensitive items are a composite measure based on items with a share of wages in direct costs above 40%.
Latest observations: 2022 Q2 for negotiated wages and August 2022 for the rest.

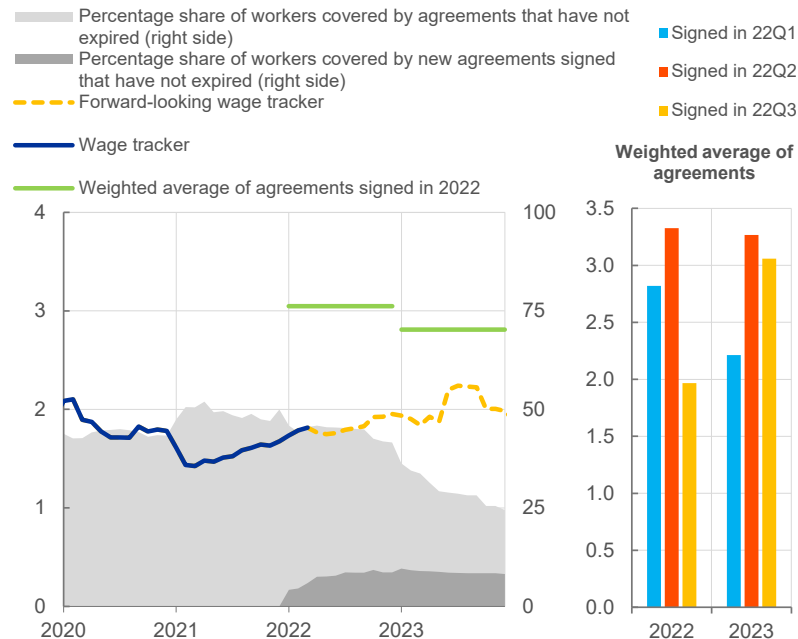
Euro area wage developments

Negotiated wages (annual percentage changes)



Sources: Eurostat and ECB calculations.
 Note: Long-term average computed over the period 1999Q1-2022Q2.
 Latest observations: 2022Q2.

Euro area forward-looking wage tracker (annual percentage changes)

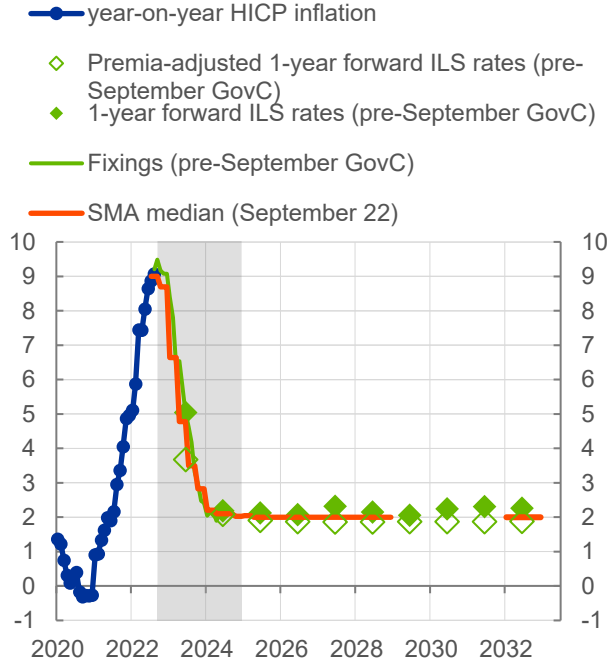


Sources: Euro area aggregate based on DE, IT, NL and ES. Calculated based on micro data on wage agreements provided by Bundesbank, Banco de España, the Dutch employer association (AWVN) and Banca d'Italia. Latest observation: August 2022.

Euro area market-based and survey-based inflation measures

Market-based measures of inflation compensation and surveys

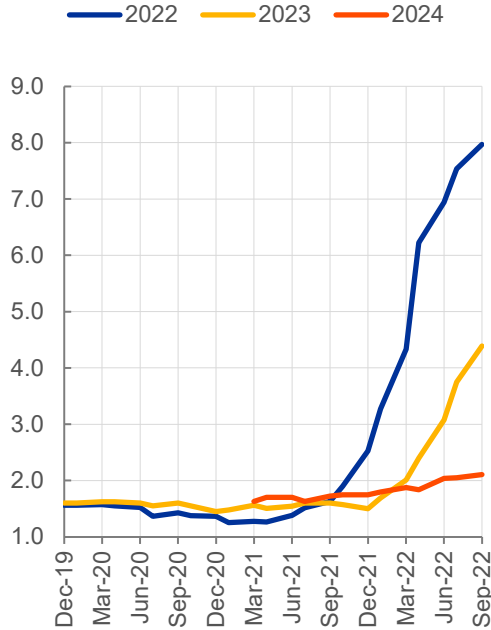
(annual percentage changes)



Sources: Bloomberg, Refinitiv and ECB calculations.
 Notes: Premia-adjusted forward ILS rates are average estimates from two affine term structure models as in Joslin, Singleton and Zhu (2011); see Burban et al. (2022). The grey area refers to the projection horizon ending in December 2024.
 Latest observation: 7 September 2022.

SMA: HICP inflation projections over survey rounds

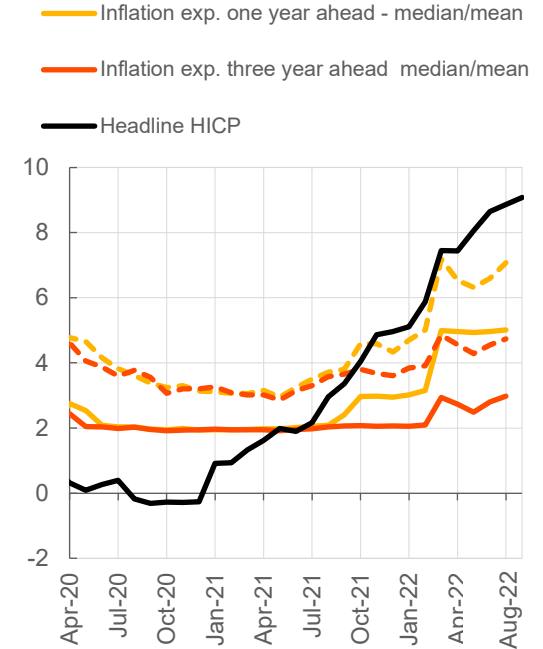
(indices)



Source: SMA (all vintages from December 2019 until September 2022).
 Note: Number of respondents in September 2022 SMA is 28.
 Latest observation: September 2022 SMA.

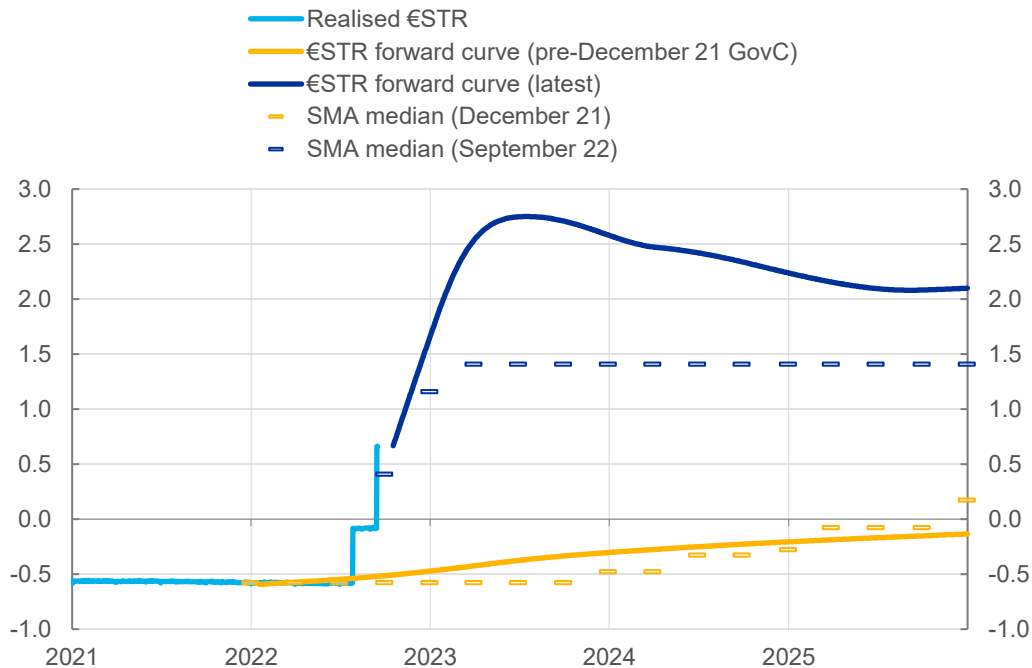
ECB consumer expectations survey (CES)

(annual percentage changes)



Source: ECB Consumer Expectations Survey (CES).
 Note: Dashed lines represent the mean and solid line the median.
 Latest observations: August 2022 (flash) for HICP. CES data from July 2022 round.

€STR forward curve and survey expectations on the deposit facility rate (percentage per annum)



Sources: SMA, Bloomberg, Refinitiv and ECB calculations.

Notes: The bars depict the median respondents' modal expectation for the future deposit facility rates in the December 2021 and September 2022 SMA. Survey responses are adjusted for the €STR vs. DFR spread.

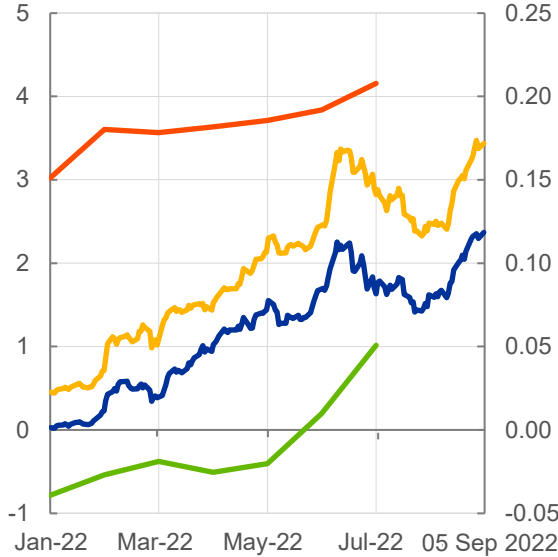
Latest observation: 15 September 2022.

Euro area bank funding costs and lending rates to firms and households

Developments in marginal bank funding costs

(percentages per annum)

- Covered bonds (left side)
- Senior unsecured bonds (left side)
- Deposit rates - non-financial firms (right side)
- Deposit rates - households (right side)

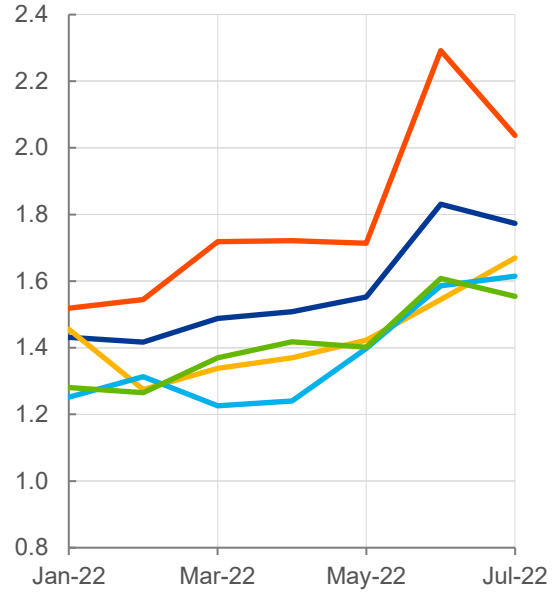


Sources: ECB (BSI, MIR), IHS Markit iBoxx and ECB calculations.
 Notes: Daily bank bond yields. Monthly deposit rates on new business volumes weighted by outstanding amounts.
 Latest observations: 5 September 2022 for bank bonds, July 2022 for deposit rates.

Lending rates to NFCs across countries

(percentages per annum)

- EA
- DE
- ES
- FR
- IT

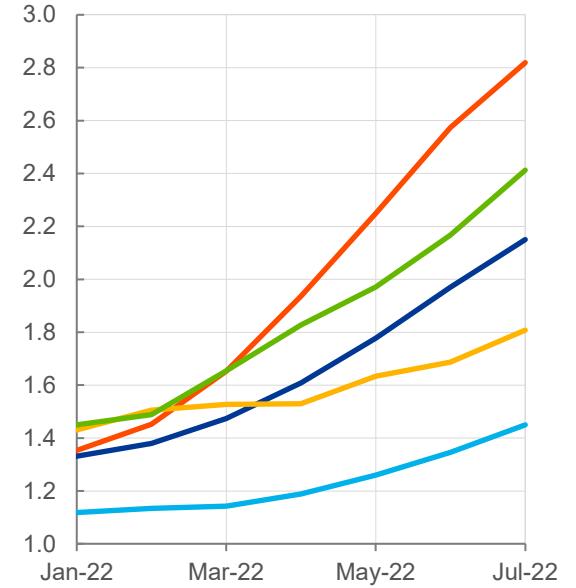


Source: ECB (MIR).
 Note: The indicator for the total cost of borrowing for firms is calculated by aggregating short-term and long-term rates using a 24-month moving average of new business volumes.
 Latest observation: July 2022.

Lending rates to households for house purchase across countries

(percentages per annum)

- EA
- DE
- ES
- FR
- IT



Source: ECB (MIR).
 Note: The indicator for the total cost of borrowing for households for house purchase is calculated by aggregating short-term and long-term rates using a 24-month moving average of new business volumes.
 Latest observation: July 2022.

- *The Governing Council decided to raise the three key ECB interest rates by 75 basis points.*
- *This major step frontloads the transition from the prevailing highly accommodative level of policy rates towards levels that will ensure the timely return of inflation to our two per cent medium-term target.*
- *Based on our current assessment, over the next several meetings we expect to raise interest rates further to dampen demand and guard against the risk of a persistent upward shift in inflation expectations.*
- *We will regularly re-evaluate our policy path in light of incoming information and the evolving inflation outlook. Our future policy rate decisions will continue to be data-dependent and follow a meeting-by-meeting approach.*