

Persistence of inflation in the euro area

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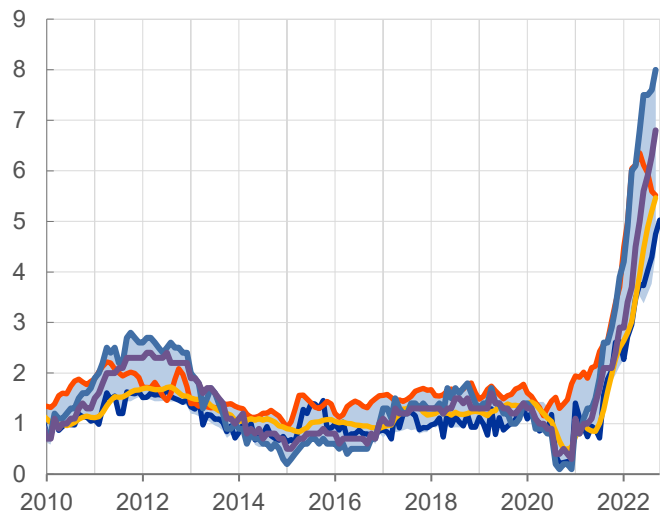
Banka Slovenije, Ljubljana, 10 November 2022

Strong momentum in underlying inflation points to higher persistence

Measures of underlying inflation

(annual percentage changes)

- HICP excl. energy and food (HICPX)
- PCCI (persistent and common component of inflation)
- Supercore
- Trimmed mean (10%)
- Trimmed mean (30%)



Sources: ECB and ECB staff calculations.

Notes: HICPX, Supercore and Trimmed means are non-seasonally adjusted, while PCCI is based on seasonally adjusted price series.

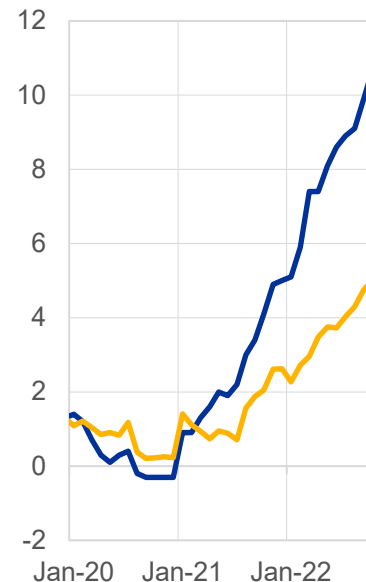
Latest observation: October 2022 for HICPX (flash estimate), September 2022 for the rest.

HICP and core inflation

(annual percentage changes)

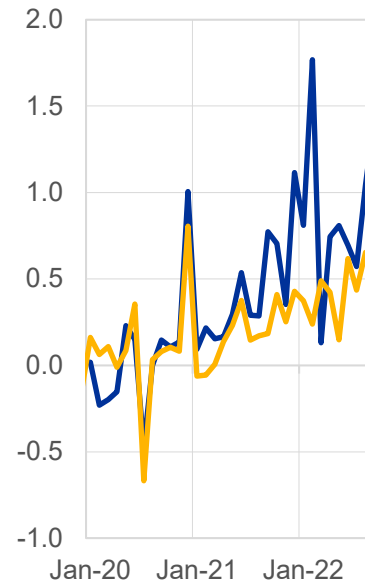
(year-on-year)

- HICP
- HICPX



(month-on-month)

- HICP
- HICPX



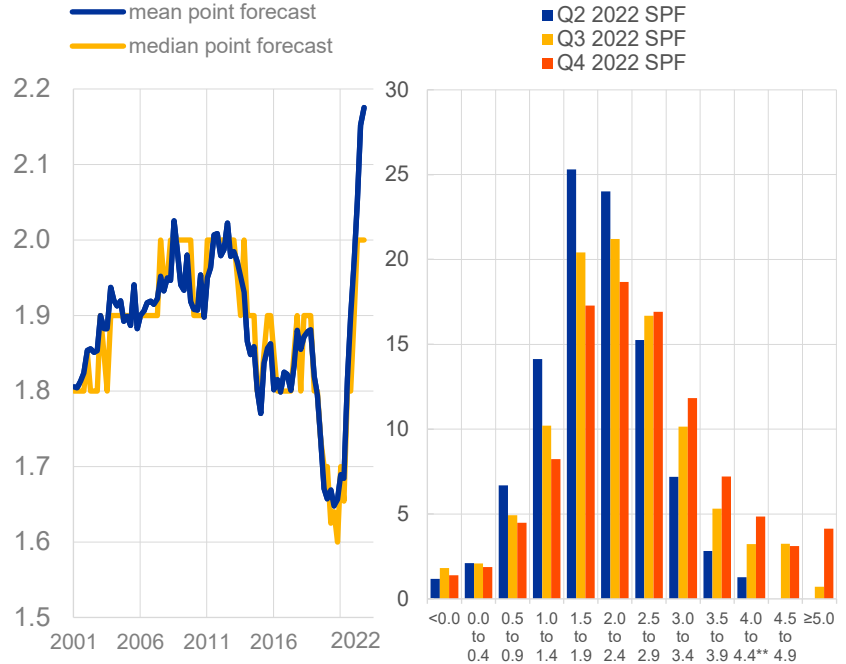
Sources: Eurostat and ECB calculations.

Notes: month-on-month changes are based on seasonally adjusted data.

Latest observation: October 2022 (flash estimate).

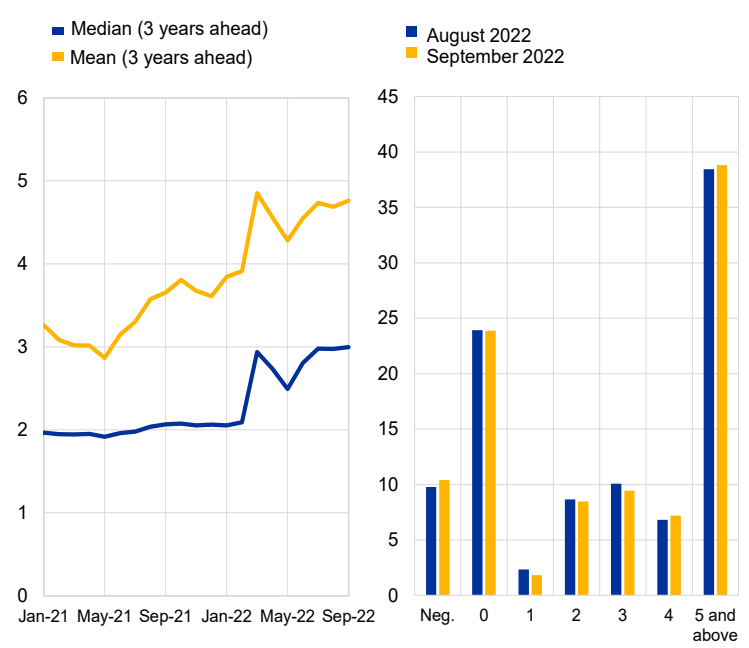
Inflation expectations remain broadly anchored but risks of de-anchoring

Survey of Professional Forecasters:
Inflation expectations in the longer-term (LHS) and 2024 (RHS)
 (LHS: annual percentage changes; RHS: percent)



Sources: ECB SPF.
 Latest observations: 2022 Q4 (October).

Consumer Expectations Survey:
Inflation expectations 3 years ahead
 (LHS: annual percentage changes; RHS: x-axis: annual percentage changes; y-axis: percentages of respondents)



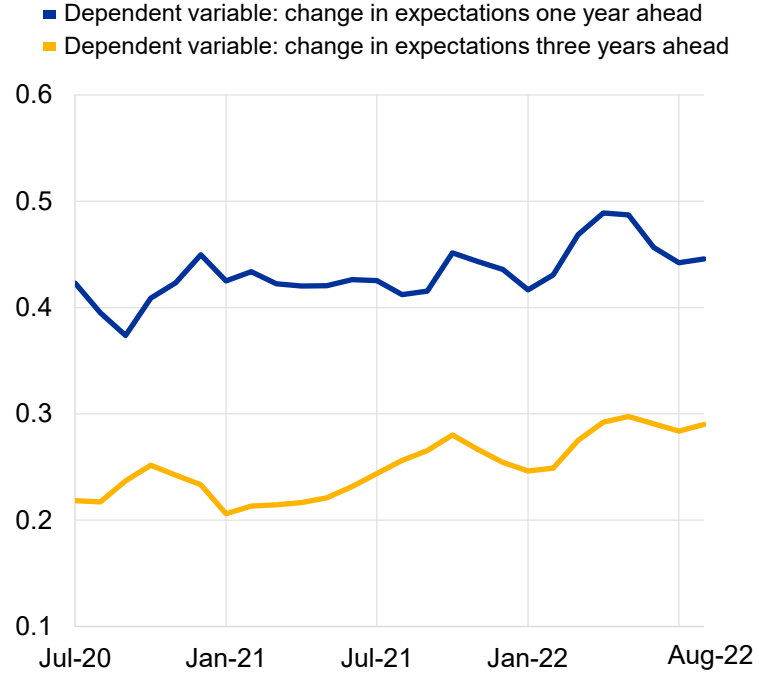
Sources: ECB Consumer Expectations Survey and ECB staff calculations.
 Notes: "Median" refers to the median across individual respondents. The data are winsorised at the 2nd and 98th percentile. Mean values are 4.69% and 4.76% for August and September respectively. Median values are 2.98% and 3.00% for August and September respectively.
 Latest observations: September 2022.

Current high inflation may feed into higher inflation expectations

Risk-neutral probabilities for inflation outcomes implied by options (percentages)



Effect of revisions in inflation perceptions on short- and medium-term inflation expectations (coefficient)



Sources: Bloomberg, Refinitiv and ECB calculations.
 Notes: 5-days moving average risk-neutral probabilities of inflation higher than 3% and lower than 1% implied by five-year and ten-year zero-coupon inflation options. The depicted probabilities are risk-neutral probabilities affected by risk premia and should therefore not be interpreted as “real world” (or physical) probabilities.
 Latest observation: 07 November 2022.

Sources: ECB Consumer Expectations Survey (CES). Notes: Coefficients on the revisions to inflation perceptions from regressions of revisions to consumer inflation expectations 1y ahead (blue line) and 3y ahead (orange line). Respondent-level regressions are conducted on a rolling window of three CES waves, with country-fixed effects. The coefficients are statistically significant at a level of 1%. Latest observations: August 2022

Wage growth has picked up significantly in light of sharply declining real wages

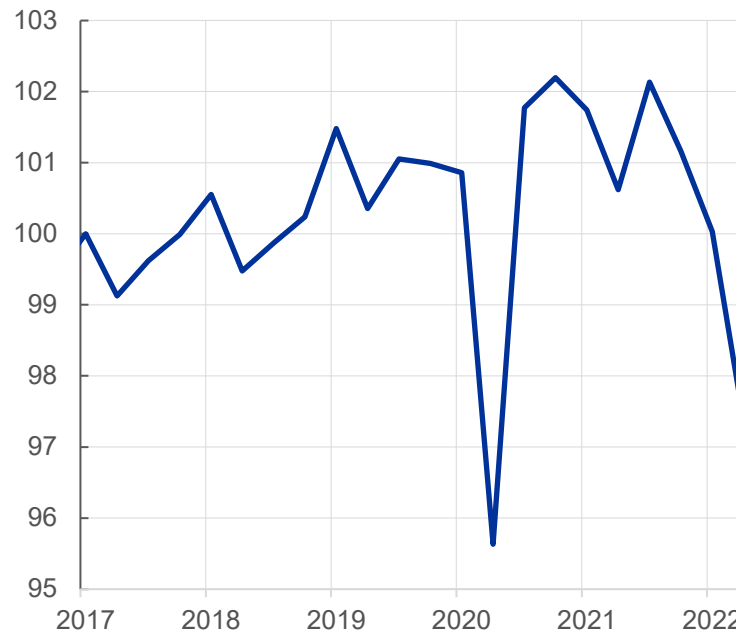
Negotiated wage growth and nominal wage growth in job ads

(annual percentage changes)



Real compensation per employee

(index: 2017Q1 = 100)



Sources: Adrjan, Pawel & Reamonn Lydon (2022), [Wage Growth in Europe: Evidence From Job Ads](#) – Central Bank of Ireland - Economic letter - Vol 2022, No. 7 (November) and ECB.

Latest observation: 2022 Q2 for negotiated wages and October 2022 for Indeed data.

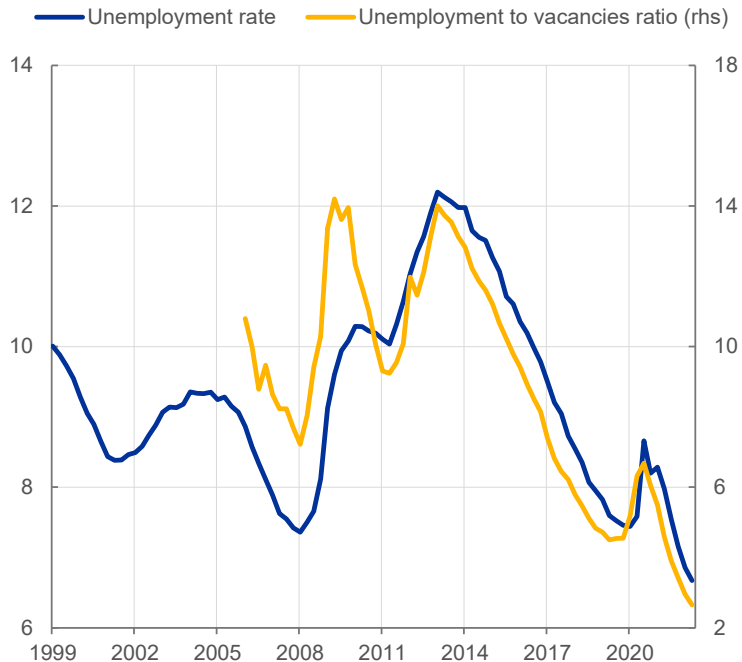
Source: Eurostat and ECB calculations.

Notes: Compensation per employee is deflated using the HICP. Latest observation: 2022Q2.

Labour scarcity constrains production amid historically tight labour markets

Unemployment and vacancies

(left-hand scale: percentages; right-hand scale: ratio)

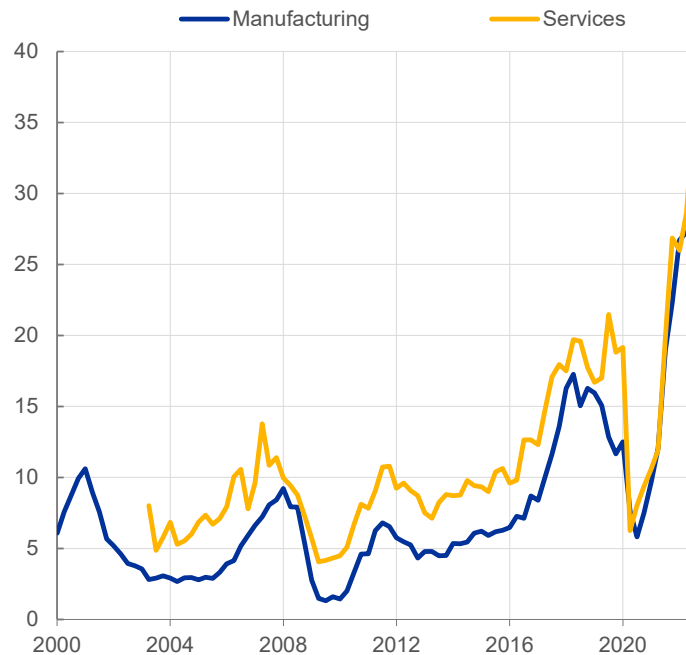


Sources: Eurostat, Haver Analytics and ECB staff calculations.

Notes: Eurostat vacancies are reported only in firms with 10 or more employees in France.
Latest observations: 2022 Q2.

Limits to production – shortage of labour

(percentage balances)



Source: European Commission.

Notes: Survey in industry and the services sector: percentage of firms who indicate labour shortages as limits on production and business.
Latest observation: 2022 Q3 (August 2022).

Thank you for your attention!