



EUROPEAN CENTRAL BANK

EUROSYSTEM

Policy panel — The global economy: old trade-offs and new challenges

23rd Jacques Polak

Annual Research Conference

IMF, Washington, D.C.



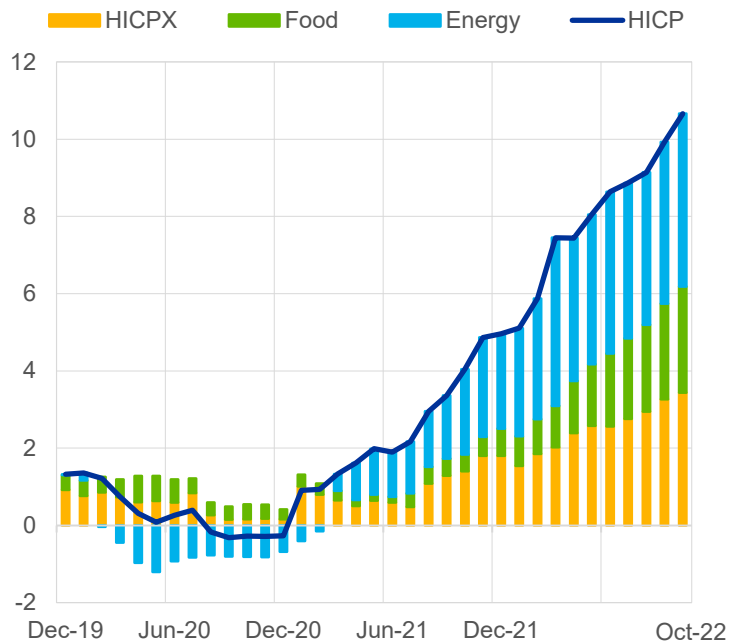
11 November 2022

Philip R. Lane
Member of the Executive Board

Inflation: components

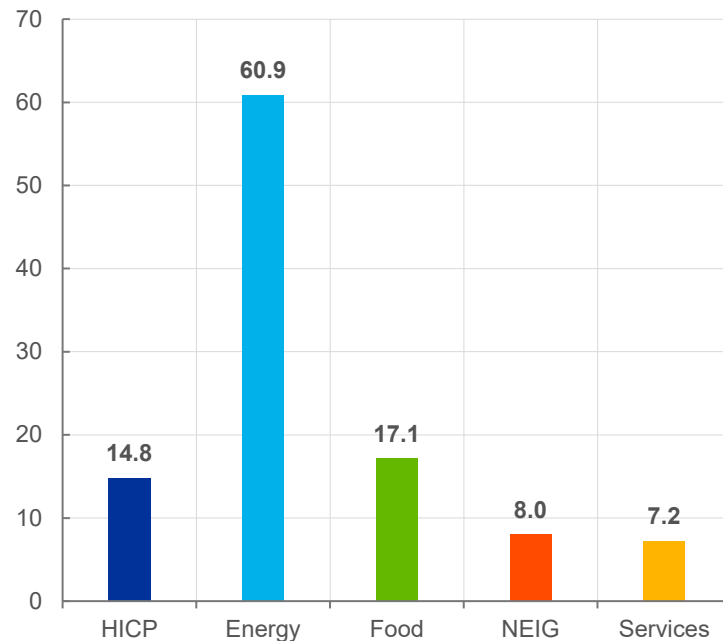
HICP inflation and components

(annual percentage changes and percentage point contributions)



Cumulative change in HICP and components inflation since December 2019

(percentage changes and percentage point contributions)



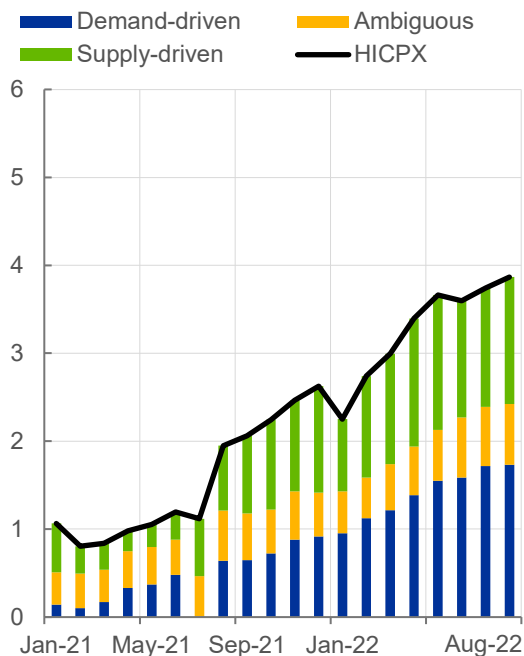
Sources: Eurostat and ECB calculations.

Note: HICP stands for Harmonised Index of Consumer Prices. HICPX stands for the HICP excluding energy and food. The latest observation is for October 2022 (flash).

Inflation: supply vs demand

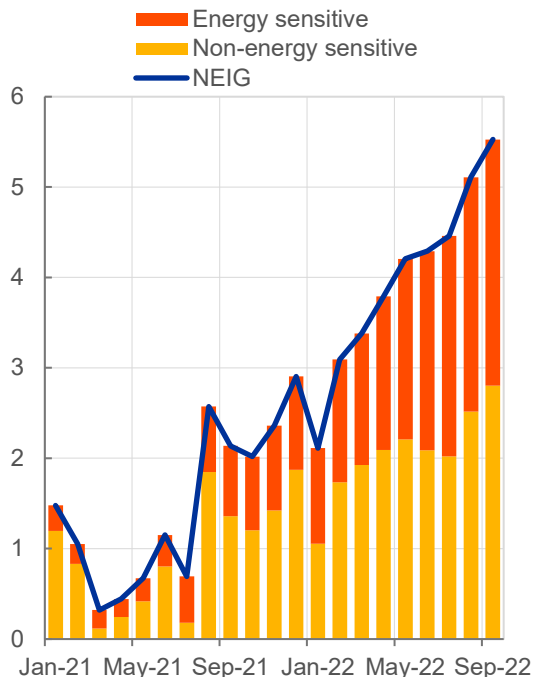
HICPX inflation – decomposition into supply and demand-driven factors

(annual percentage changes)



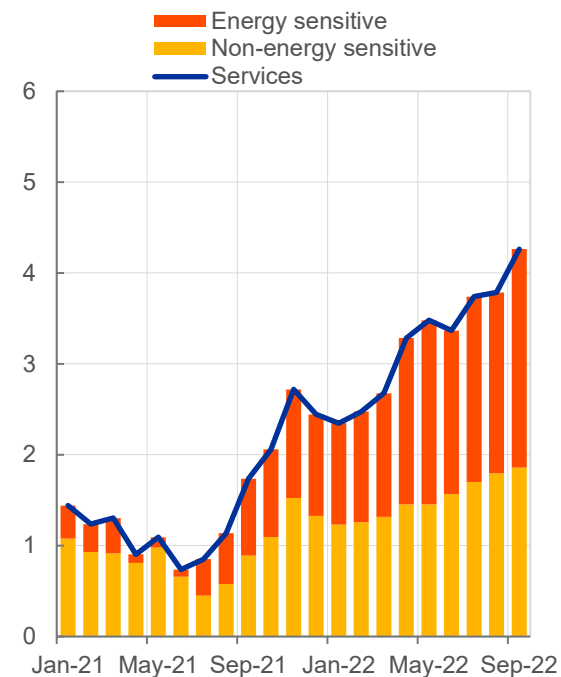
Sources: Eurostat and ECB calculations.
 Notes: Seasonally adjusted data. Based on Shapiro, A.H. (2022). HICPX inflation is the sum of demand-driven, supply-driven and ambiguous components calculated as the trailing sum of the last 12 monthly contributions. While price data are available for September 2022, the latest observation is for August 2022 as the turnover series used as a proxy for activity are published with some delay.

NEIG inflation (annual percentage changes)



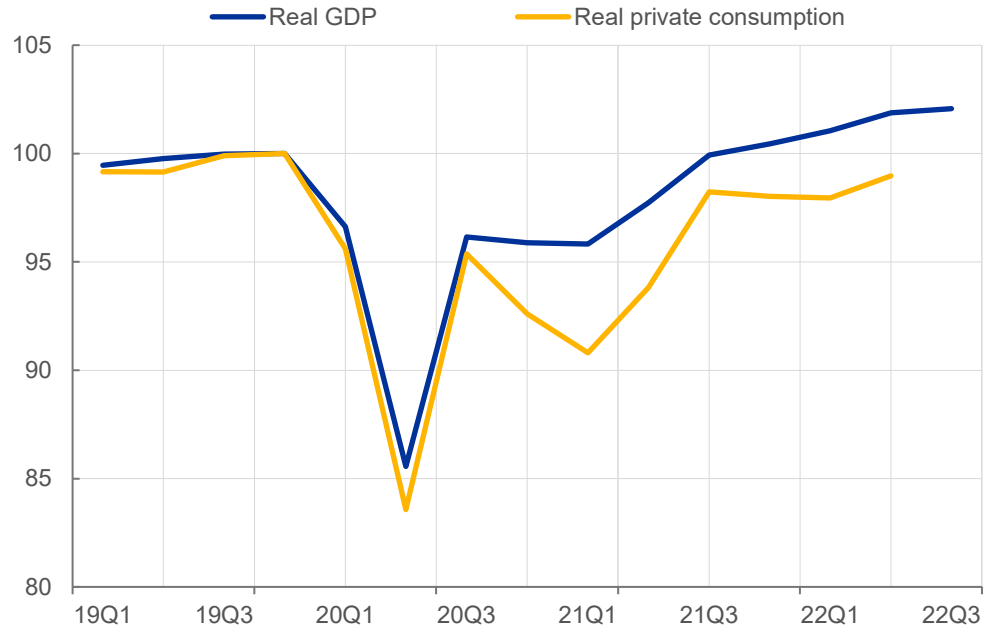
Sources: Eurostat and ECB staff calculations.
 Notes: NEIG stands for non-energy industrial goods. Energy sensitive component based on items with a share of energy in direct costs above the average energy share across all services items. The latest observation is for September 2022.

Services inflation (annual percentage changes and percentage point contributions)



Sources: Eurostat and ECB staff calculations.
 Notes: Energy sensitive component based on items with a share of energy in direct costs above the average energy share across all NEIG items. The latest observation is for September 2022.

GDP and private consumption (index, Q4 2019 =100)

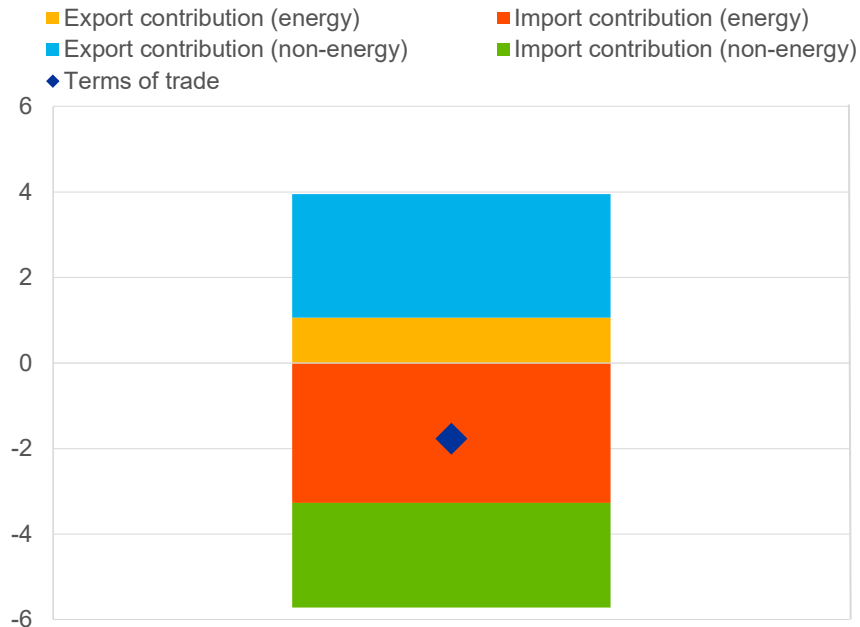


Source: Eurostat.

Note: The latest observation is for the second quarter of 2022 for private consumption and the third quarter of 2022 for GDP.

Income effects of euro area terms of trade from Q4 2019 to Q2 2022

(percentage points)

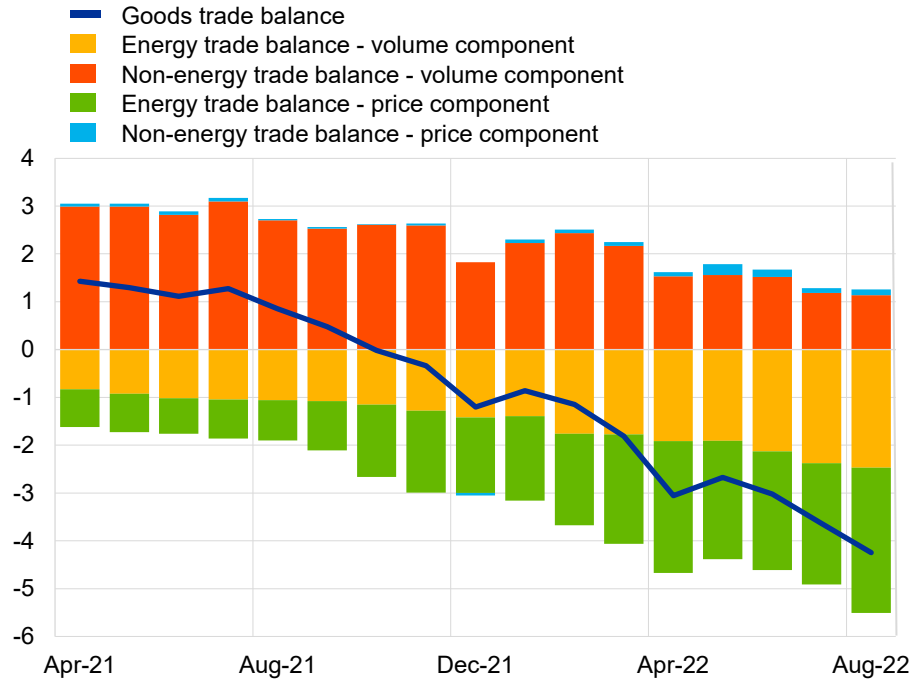


Source: ECB, Eurostat and ECB staff calculations.

Notes: The income effect of terms of trade is calculated by weighing export and import price changes by their respective value in the fourth quarter of 2019 and considered as a percentage share of GDP in the fourth quarter of 2019. The weights are computed based on extra-euro area trade flows and prices as obtained from the Eurostat national accounts. Due to data availability, Slovenia and Spain are not included in the euro area aggregate.

Goods trade balance

(in percentage of GDP)



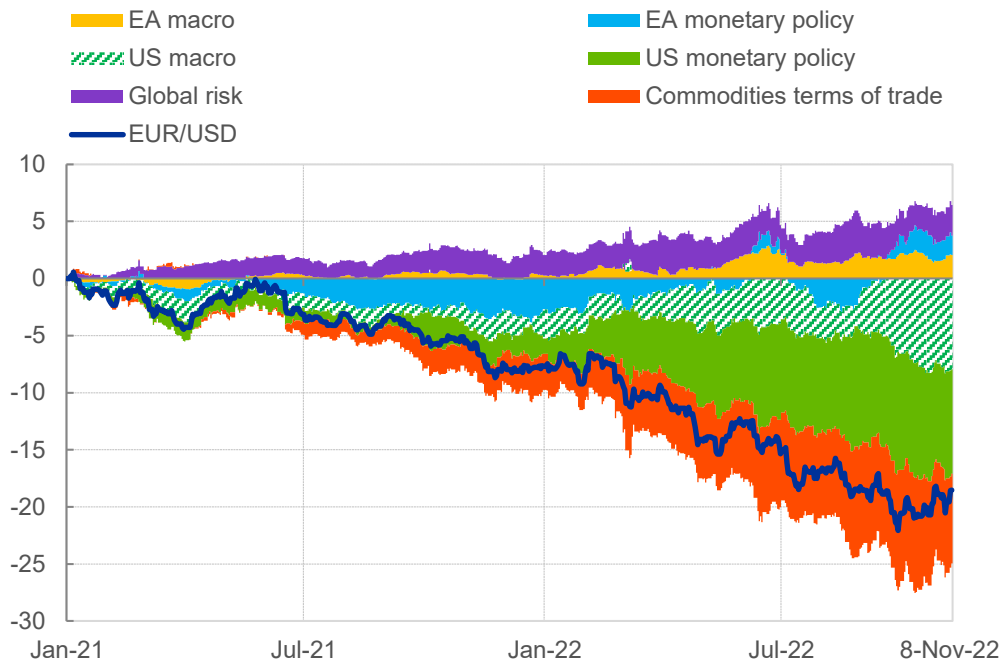
Source: Eurostat, ECB and ECB staff calculations.

Notes: The value of GDP for the third quarter of 2022 is forecasted. The volume component is calculated dividing nominal imports and exports by year-on-year growth of import and export prices for the energy and non-energy sectors.

The latest observation is for August 2022.

Drivers of EUR/USD exchange rate

(cumulative changes since January 2021)

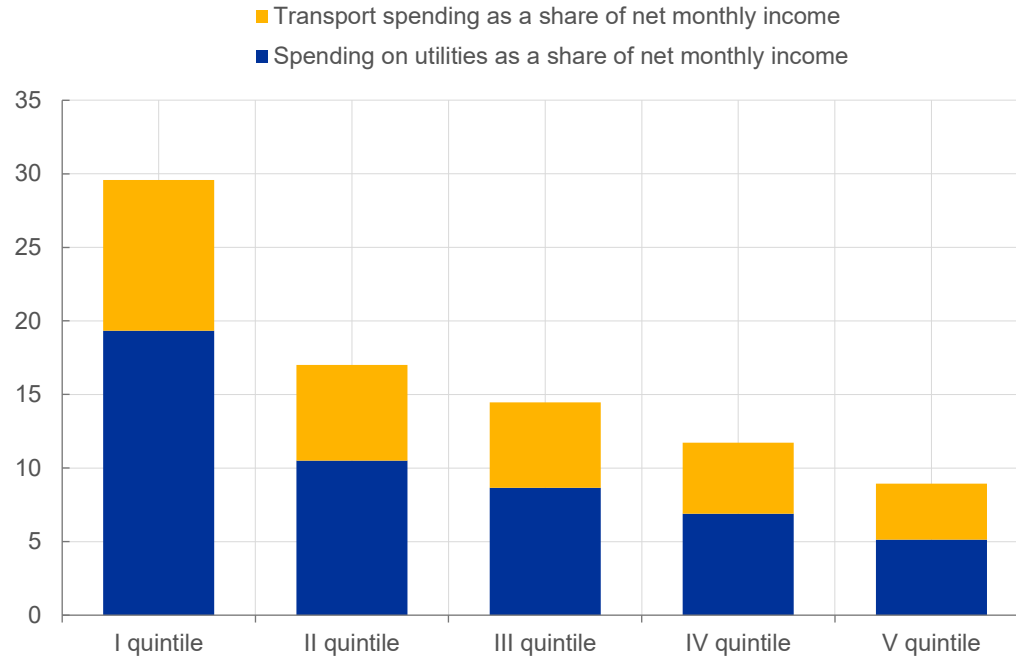


Source: ECB and ECB calculations

Notes: Based on extended 2-country BVAR including 10-year euro area (EA) OIS rate, EA stock price, EUR/USD, 10-year EA OIS – US Treasury spread, US stock prices and the relative Citi commodities terms-of-trade index in the euro area compared with the United States. Identification via sign and narrative restrictions, using daily data 2005-2022. The latest observation is for 8 November 2022.

Exposure of households to energy price shocks

(horizontal axis: income quintiles; vertical axis: percentages)

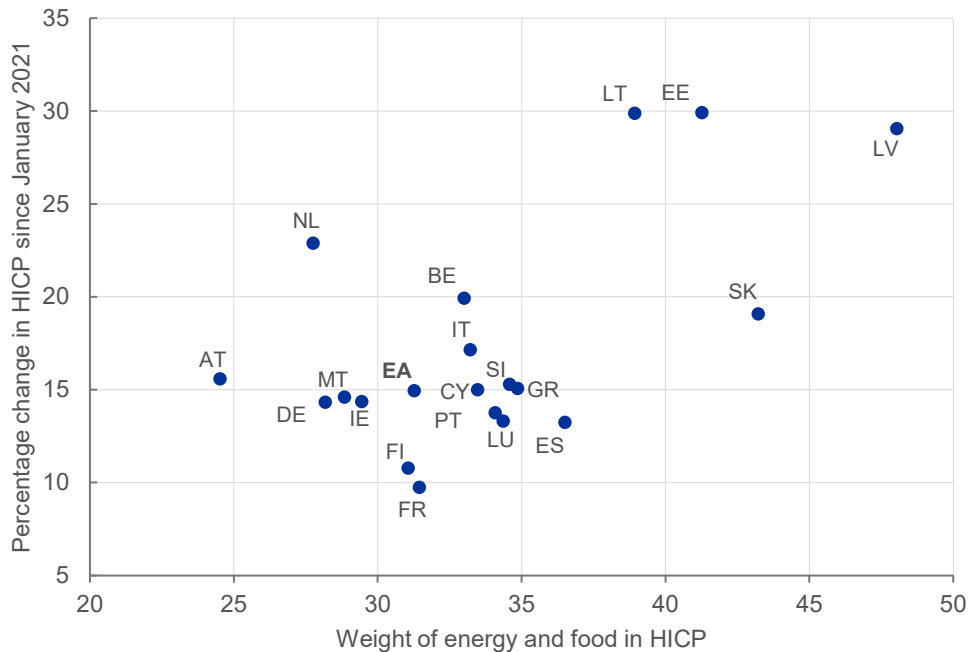


Source: Consumer Expectations Survey (CES).

Note: Figures are based on CES results for July 2022 and represent weighted averages of data for Germany, France, Italy, Spain, the Netherlands and Belgium.

Cumulative change in HICP inflation since 2021 and weight of energy and food in HICP

(horizontal axis: percentages; vertical axis: percentage points)

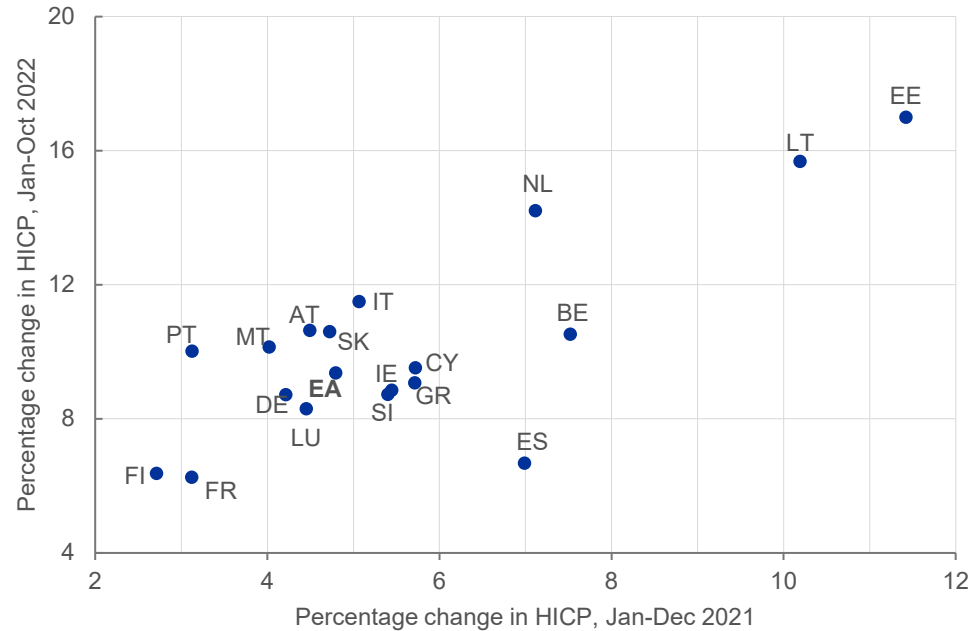


Source: Eurostat and ECB calculations.

Note: The weight of energy and food in HICP refers to 2021.

The latest observation is for October 2022 (flash estimate).

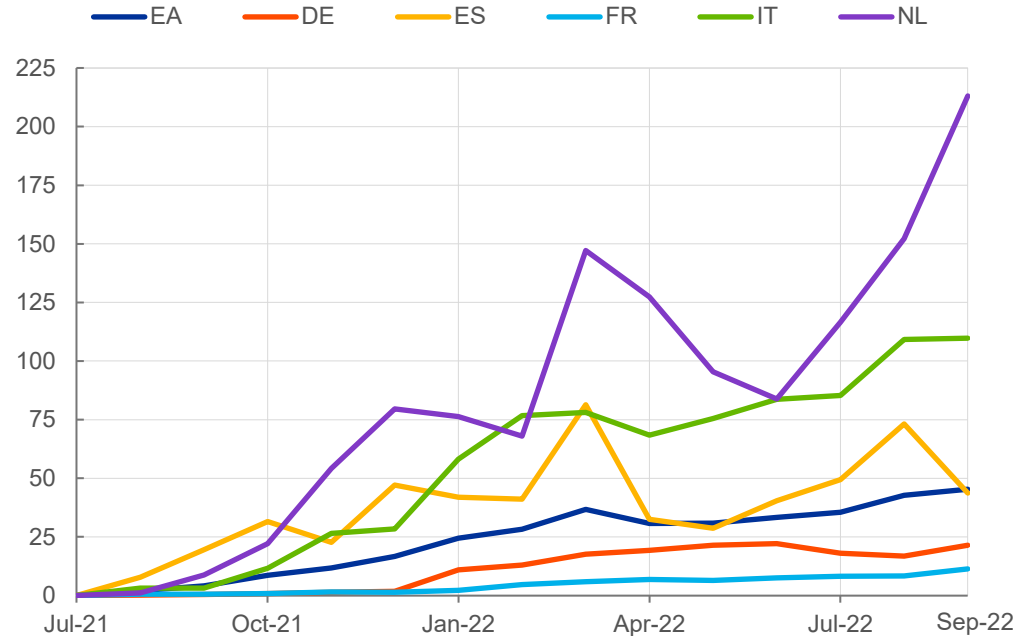
Cumulative change in HICP inflation in 2021 and 2022 (percentage points)



Source: Eurostat and ECB calculations.

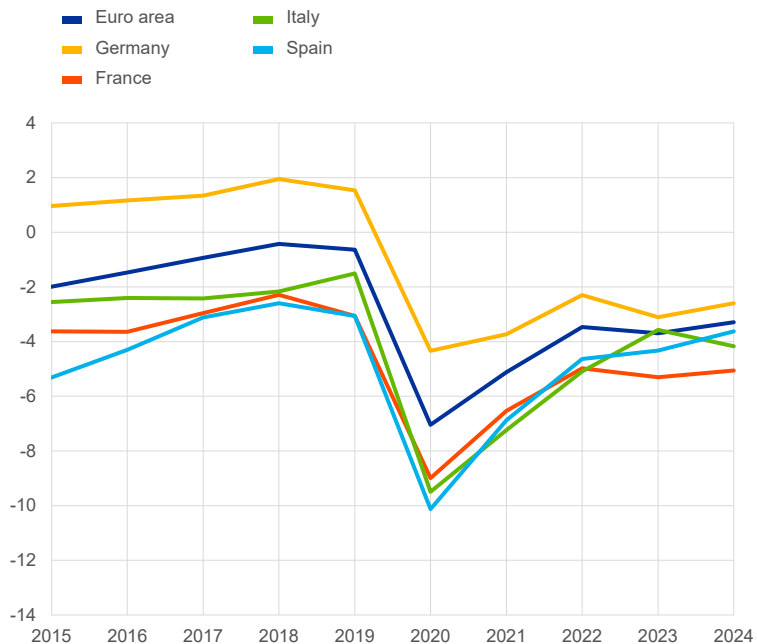
Note: The latest observation is for October 2022 (flash estimate).

Cumulated change in HICP electricity prices since July 2021 (percentage points)



Source: Eurostat and ECB staff calculations.
Note: The latest observations are for September 2022.

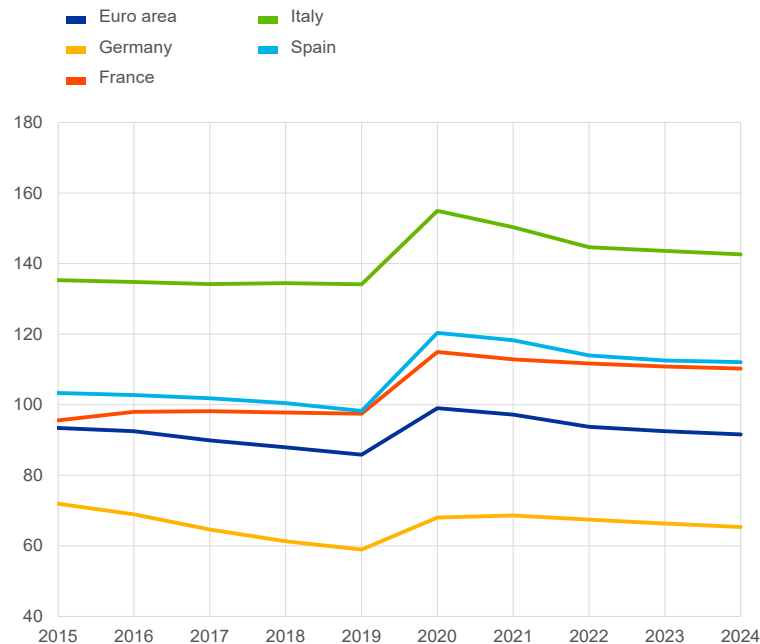
General government balances (percentage of GDP)



Source: European Commission

Note: Data from the autumn forecast 2022. The euro area series does not include Croatia.

Government debt levels (percentage of GDP)



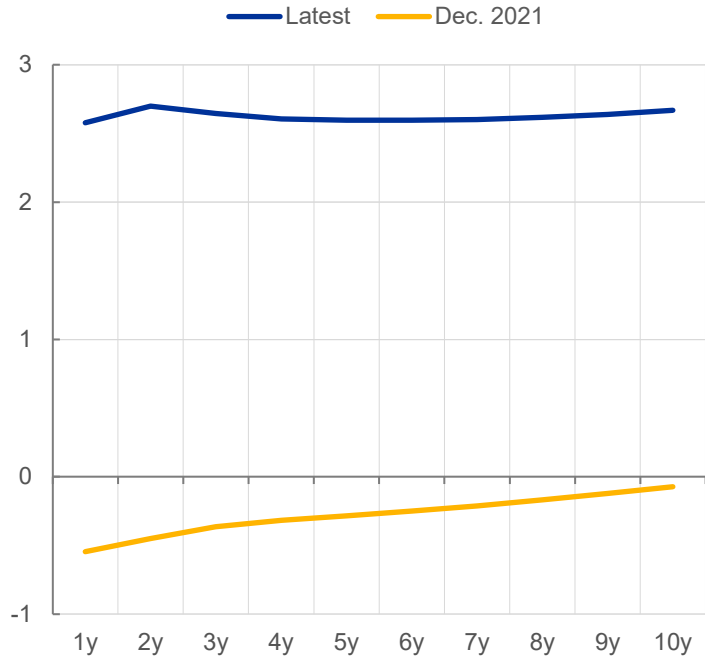
Source: European Commission

Note: Data from the autumn forecast 2022. The euro area series does not include Croatia.

Yield curve and sovereign spreads

Term structure of nominal OIS rates

(percentages per annum)



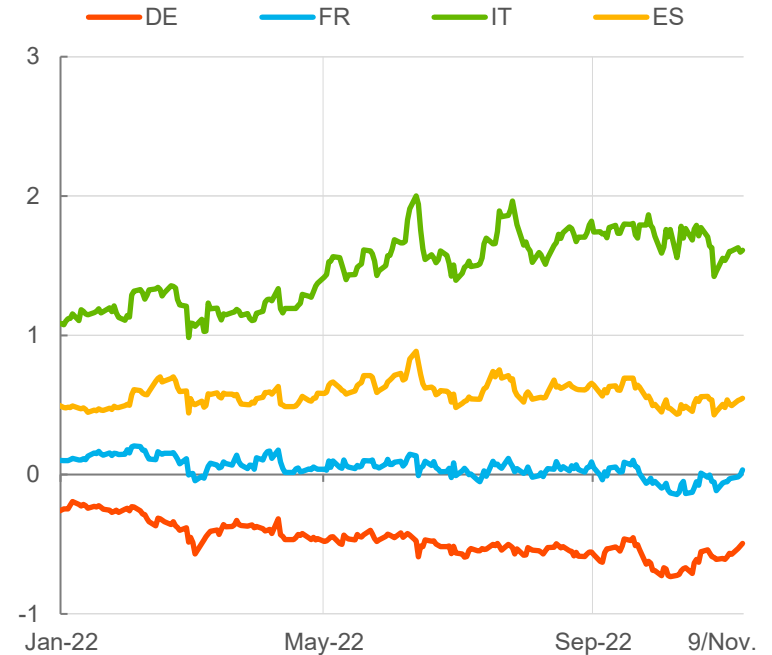
Sources: Bloomberg.

Notes: The Dec. 2021 observation refers to 15 December 2021, the day before the December 2021 Governing Council meeting.

The latest observation is for 9 November 2022.

10-year sovereign spreads over OIS rate

(percentages per annum)



Sources: Refinitiv and ECB calculations.

Notes: The spread is the difference between individual countries' 10-year sovereign yields and the 10-year OIS rate.

The latest observation is for 9 November 2022.