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The inflation outlook and monetary policy in the euro area

Keynote speech

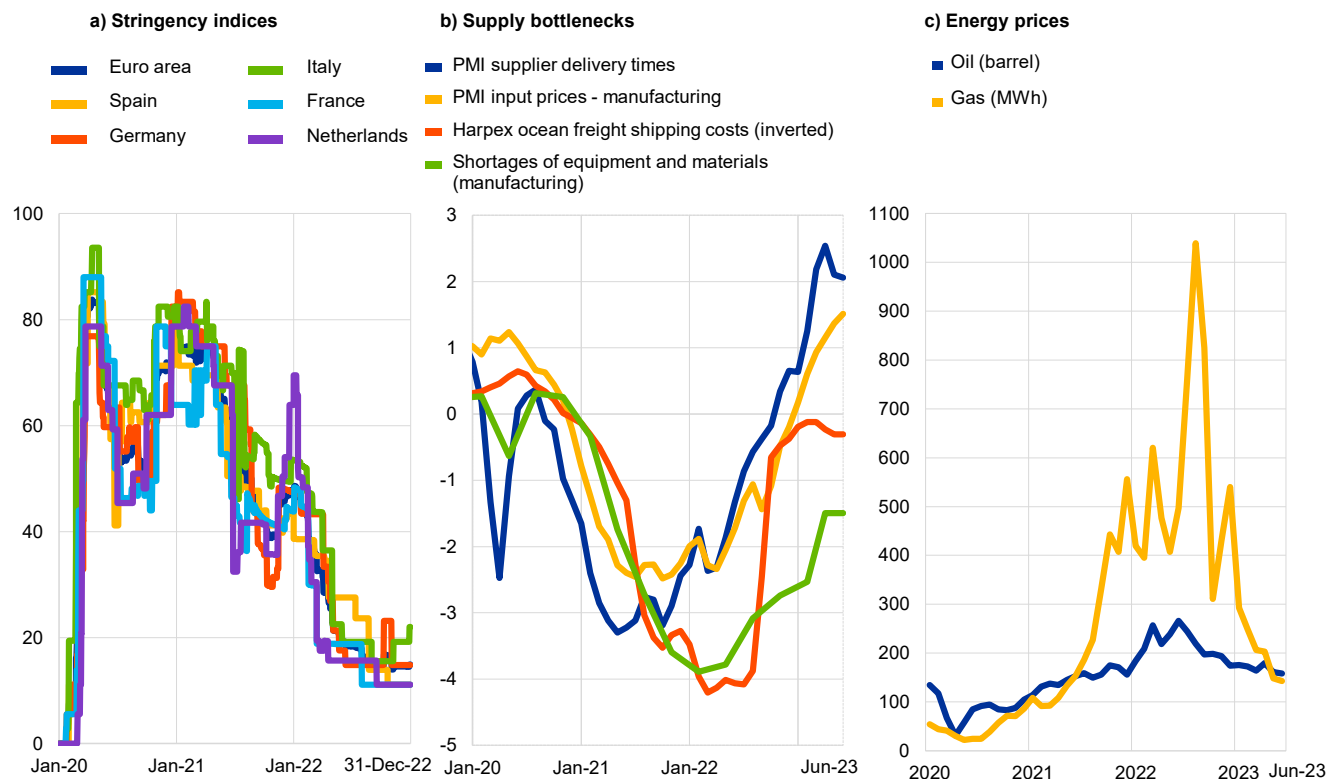
King's College London

London, 7 July 2023

Chart 1

Stringency indices, supply bottlenecks and energy prices

(panel a: index, 0 to 100, panel b: standardized indicators; panel c: USD per barrel and Euro per MWh)



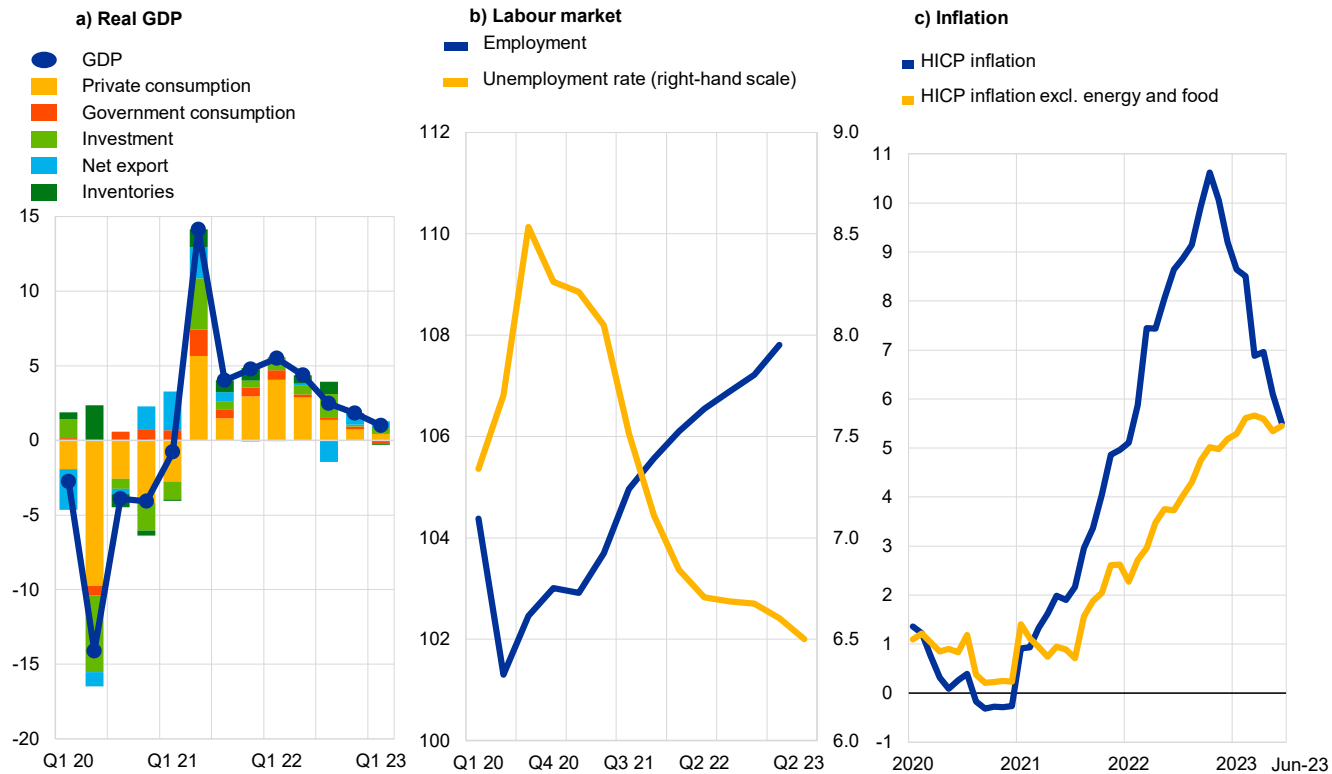
Sources: Hale, T. et al., (2020), [Oxford COVID-19 Government Response Tracker](#), Blavatnik School of Government, University of Oxford; Eurostat, S&P Global, DG-ECFIN and ECB calculations, and Refinitiv.

Notes: The latest observations are for May 2022 for mobility indices, the second quarter of 2023 (survey conducted in April) for European Commission equipment shortages, June 2023 for PMI indicators, for Harpex and for oil, gas and energy prices.

Chart 2

Real GDP, labour market and inflation

(panel a: year-on-year percentage changes and pp contributions, panel b: Q1 2008=100 and percentage of labour force; panel c: percentages)



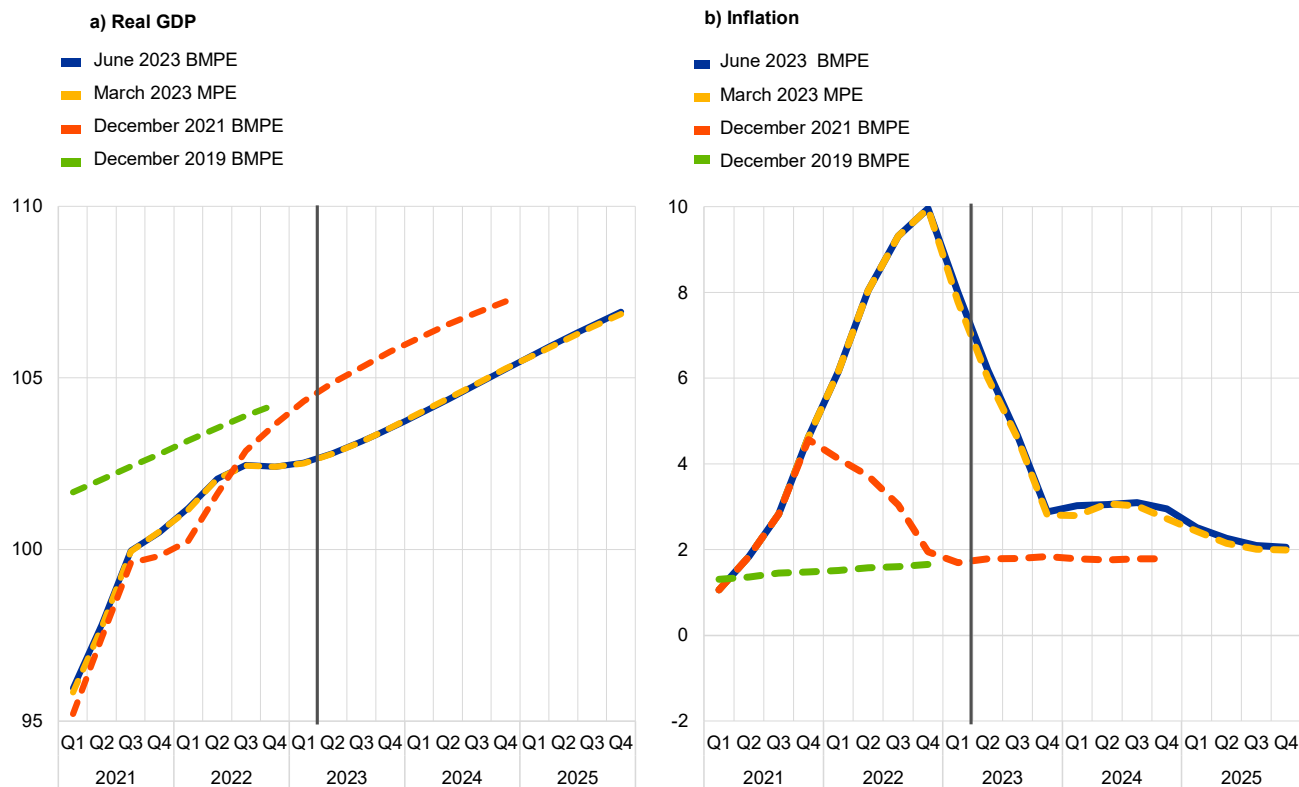
Sources: Eurostat.

Notes: The latest observations are for the first quarter of 2023 for GDP and employment, May 2023 for unemployment and June 2023 for (flash) inflation.

Chart 3

Recent (B)MPE projections for real GDP and inflation

(panel a: index: fourth quarter of 2019 = 100, seasonally and working day-adjusted quarterly data; panel b: annual percentage changes)



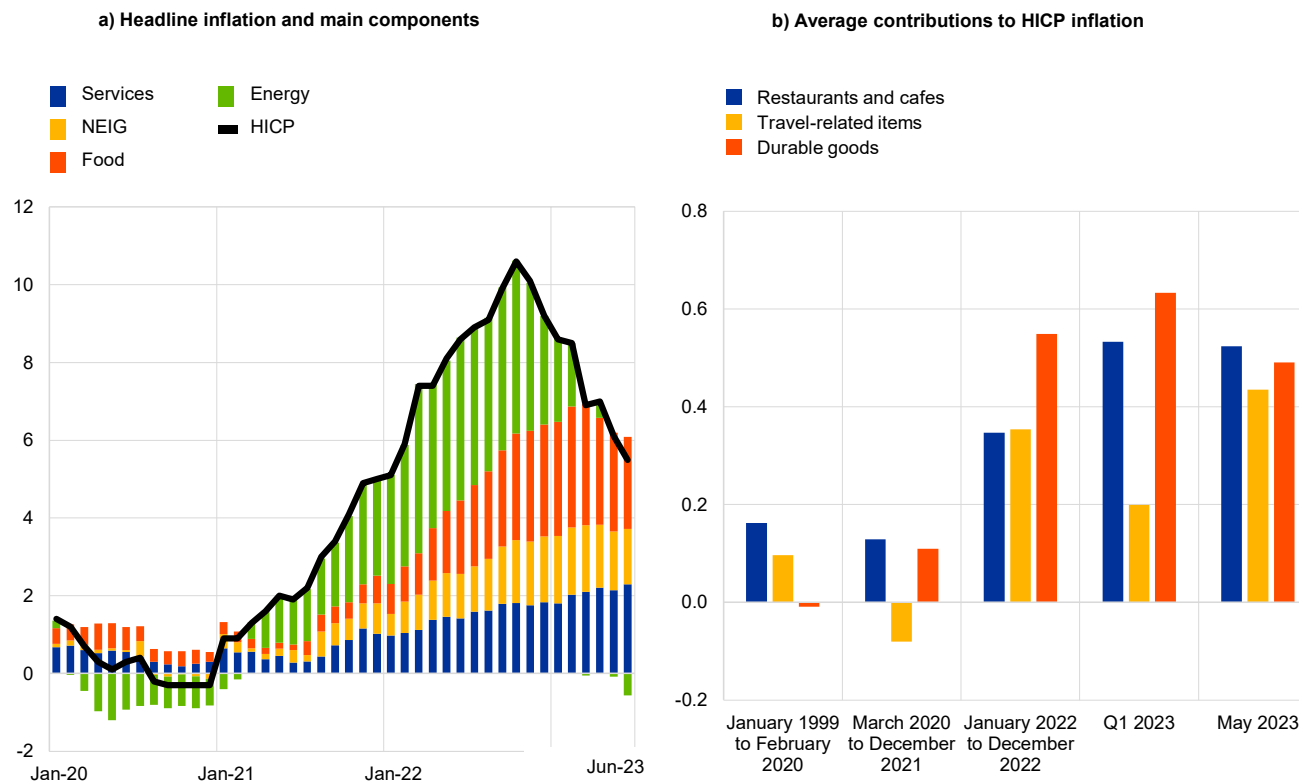
Sources: Eurostat, Eurosystem (BMPE) and ECB (MPE) staff macroeconomic projections for the euro area. MPE refers to the ECB staff macroeconomic projections. BMPE refers to Eurosystem staff macroeconomic projections.

Notes: The vertical lines indicate the start of the June 2023 Eurosystem staff macroeconomic projections for the euro area.

Chart 4

Contributions of components to euro area headline HICP inflation

(panel a: year-on-year percentage changes, percentage points contributions; panel b: percentage points contributions)

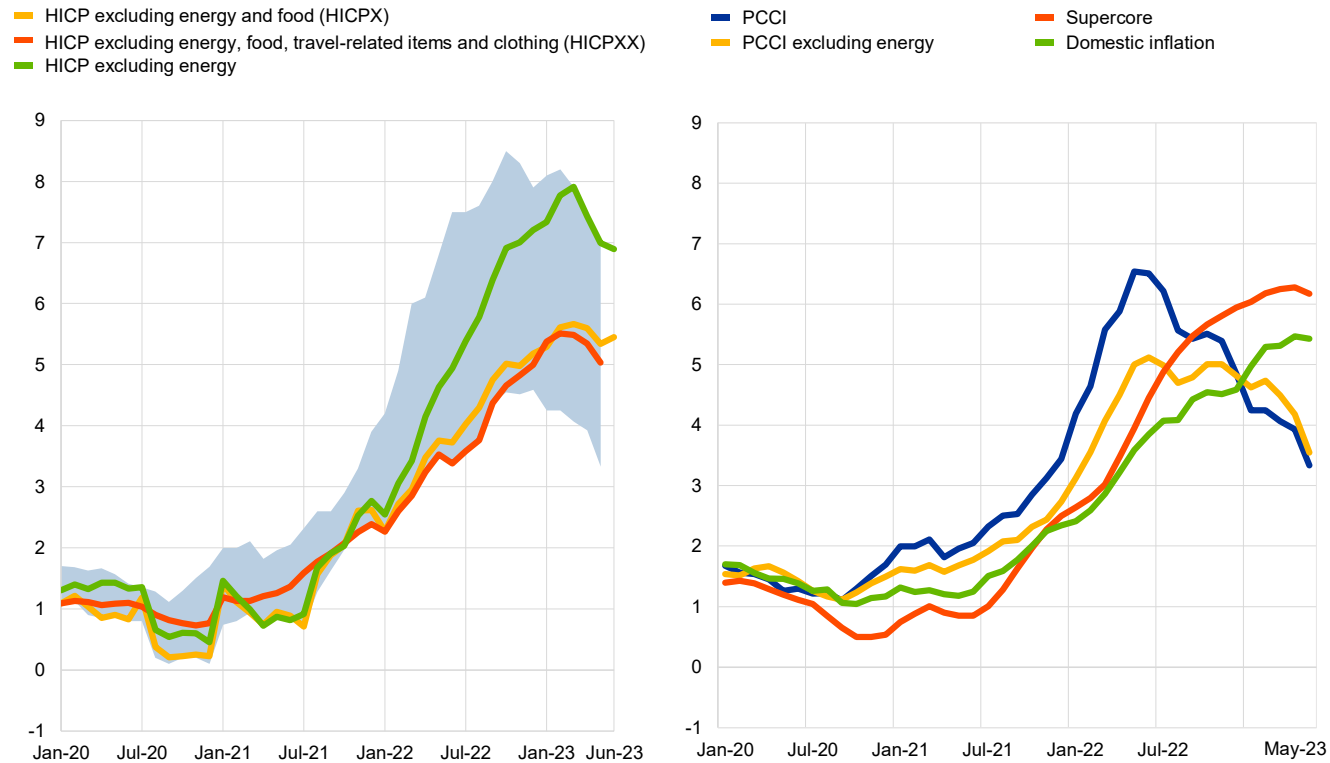


Sources: Eurostat and ECB staff calculations.

Notes: Travel-related items consist of the aggregation of the passenger transport by air, accommodation services and package holidays categories. The latest observations are for May 2023 for restaurants and cafes, travel-related items and durable goods, June 2023 (flash) for HICP and services, NEIG, food and energy contributions.

Chart 5

Indicators of underlying inflation (annual percentage changes)



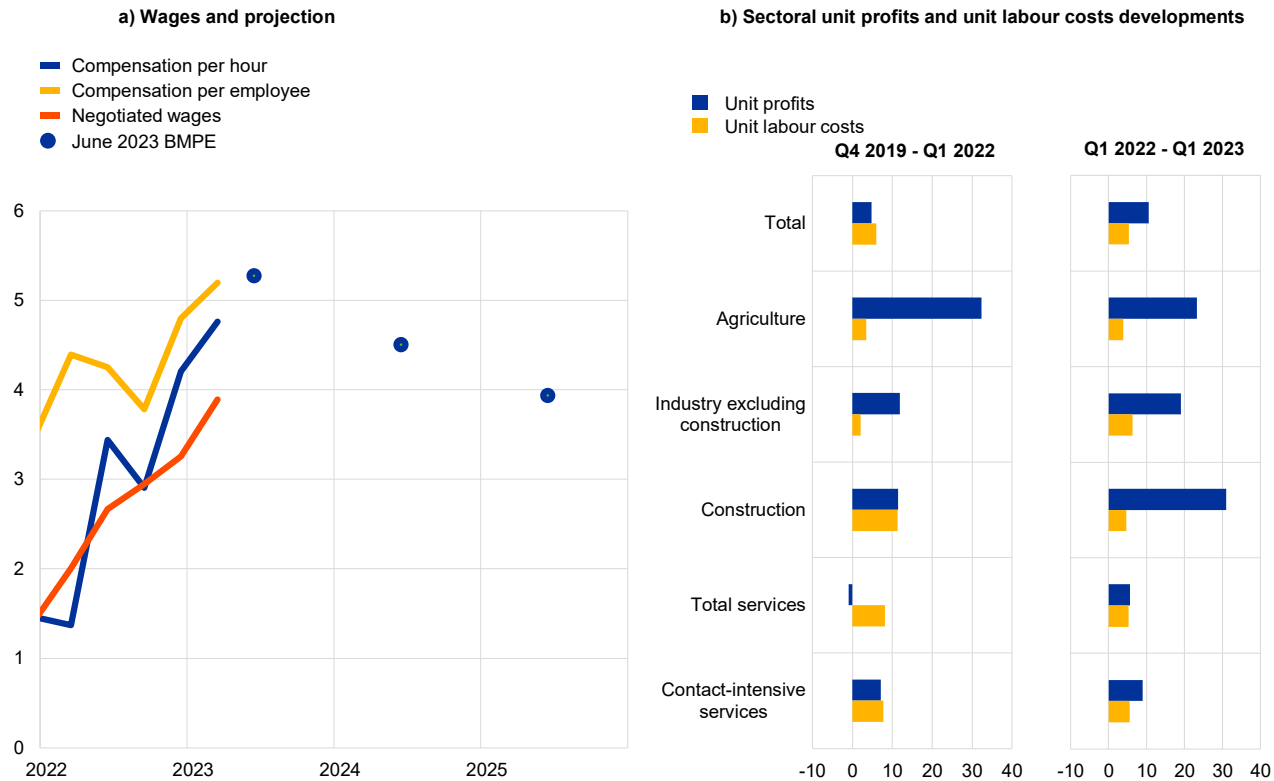
Sources: Eurostat and ECB staff calculations.

Notes: The range of indicators of underlying inflation includes HICP excluding energy, HICP excluding energy and unprocessed food, HICPX, HICPXX, 10% and 30% trimmed means, PCCI, PCCI excluding energy, Supercore and domestic inflation. Domestic inflation refers to an inflation measure that takes into account the import intensity of HICP items. The latest observations are for May 2023 for HICPXX, the range of indicators, PCCI, PCCI excluding energy, Supercore and domestic inflation, June 2023 (flash) for HICPX and HICP excluding energy.

Chart 6

Wages and profits

(panel a: annual percentage changes; panel b: percentage changes over the indicated period)

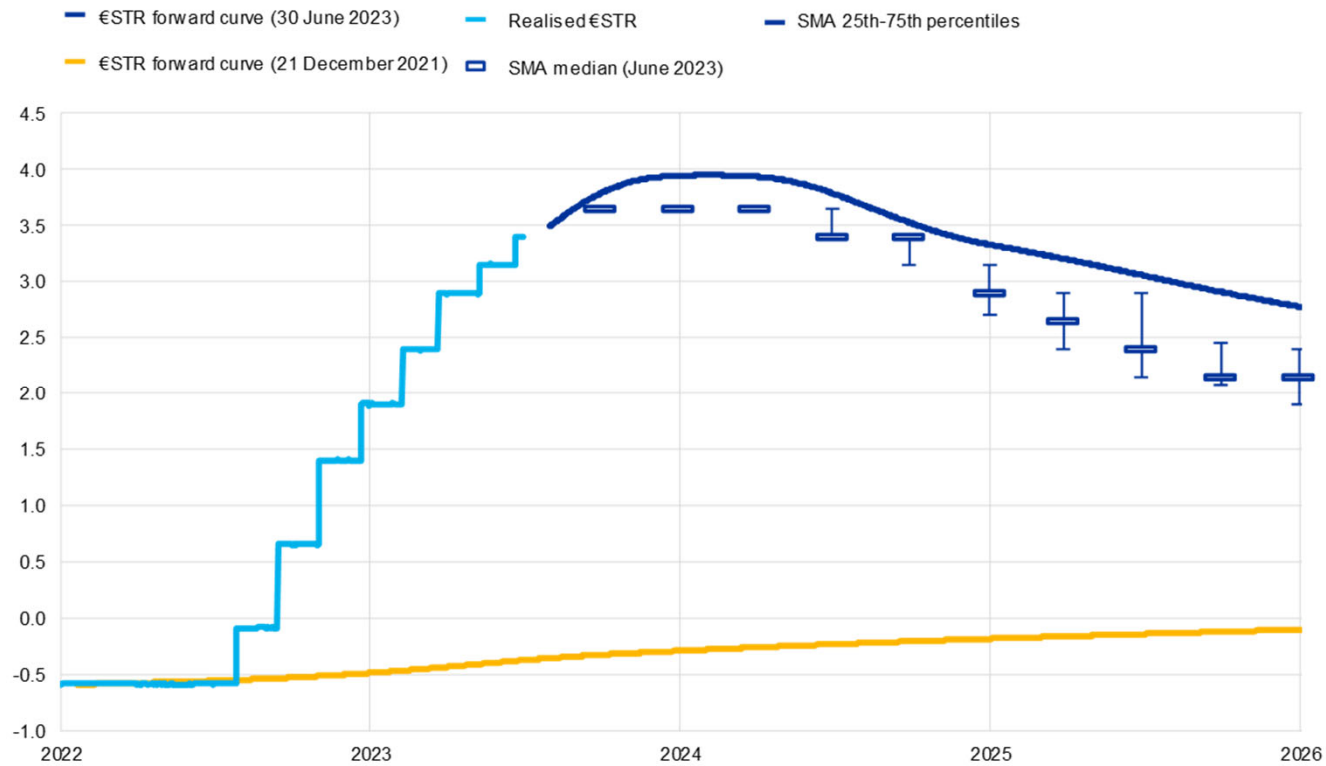


Sources: Eurostat and ECB staff calculations, June 2023 BMPE.

Notes: The projection for compensation per employee depicts annual averages. Unit profits correspond to gross operating surplus over real value added. Contact-intensive services include trade, transport, accommodation and food and arts, entertainment, recreation, and other services. The latest observations are for the first quarter of 2023.

Chart 7

€STR forward curve and Survey of Monetary Analysts (SMA) expectations on the deposit facility rate (percentages per annum)

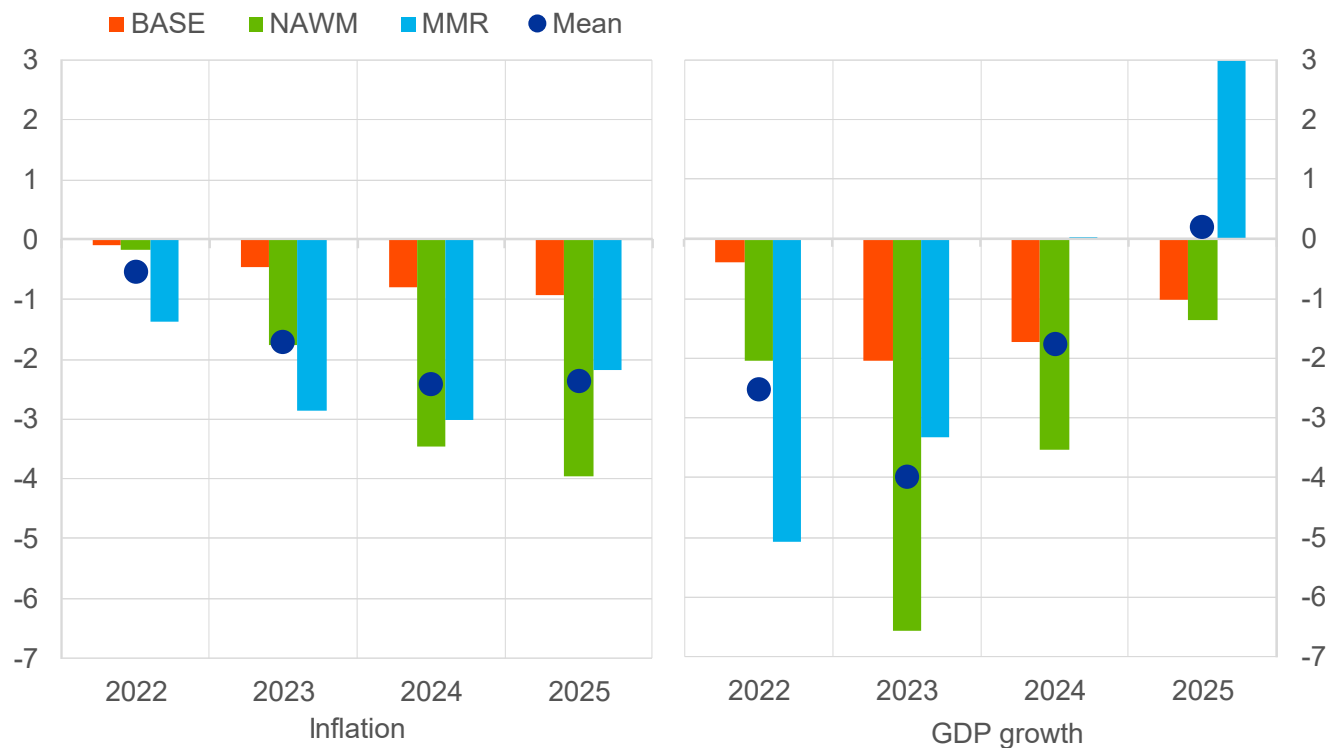


Sources: SMA, Refinitiv, and ECB calculations.

Notes: The bars depict the median of responses to the June SMA on expectations of future deposit facility rates. Surveys are adjusted for the spread between the latest €STR and the deposit facility rate observations. The latest observations are for 30 June 2023.

Chart 8

Impact of policy tightening so far (year-on-year percentage changes)



Source: ECB calculations based on the New Area-Wide Model II (see Coenen, G. et al. (2018), op. cit.), the MMR model (see Mazelis, F. et al. (2023), op. cit.) and the ECB-BASE model (see Angelini, E. et al. (2019), op. cit.).
 Notes: This chart reports the results of a simulation involving changes to short-term rate expectations between December 2021 and May 2023 and changes to expectations regarding the ECB's balance sheet between October 2021 and June 2023. "Mean" denotes the average across the three models.