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**Background slides to
speech at Banking &
Payments Federation Ireland
(BPMFI) National Banking
Conference**

Dublin, 11 June 2024

June 2024 staff projections: key macroeconomic variables

	June 2024				Revisions vs. March 2024			
	(annual percentage change)				(percentage points)			
	2023	2024	2025	2026	2023	2024	2025	2026
HICP	5.4	2.5	2.2	1.9	0.0	0.2	0.2	0.0
HICP excl. energy and food	4.9	2.8	2.2	2.0	0.0	0.2	0.1	0.0
Compensation per employee	5.2	4.8	3.5	3.2	-0.1	0.3	-0.1	0.2
Unit labour costs	6.1	4.7	2.5	2.1	-0.1	0.3	0.2	0.4
Real GDP	0.6	0.9	1.4	1.6	0.1	0.3	-0.1	0.0
Private consumption	0.6	1.2	1.7	1.6	0.1	0.0	0.1	0.1
Government consumption	0.8	1.2	1.1	1.1	0.6	-0.1	-0.3	-0.1
Total investment	1.3	0.1	1.5	2.0	0.5	0.7	-0.1	-0.3
Unemployment rate (% of labour force)	6.5	6.5	6.5	6.3	0.0	-0.2	-0.1	-0.3
	June 2024				Revisions vs. March 2024			
	(Q4 on Q4 percentage change)				(percentage points)			
	23Q4	24Q4	25Q4	26Q4	23Q4	24Q4	25Q4	26Q4
HICP	2.7	2.5	2.0	1.8	0.0	0.3	0.1	-0.1
HICP excl. energy and food	3.7	2.6	2.2	2.0	0.0	0.1	0.2	0.0
Compensation per employee	4.7	4.5	3.5	3.0	-0.1	0.1	0.2	0.1
Unit labour costs	5.9	3.6	2.5	1.9	0.1	0.1	0.5	0.2
Real GDP	0.1	1.5	1.4	1.6	-0.1	0.4	-0.3	0.1
Private consumption	0.6	1.7	1.5	1.6	0.0	0.2	-0.1	0.2
Government consumption	1.3	0.6	1.2	1.1	1.1	-1.2	0.1	-0.1
Total investment	1.6	0.1	1.1	2.2	1.7	0.3	-1.3	0.2
Unemployment rate (% of labour force)	6.5	6.5	6.4	6.3	0.0	-0.2	-0.2	-0.3

Note: Revisions calculated based on rounded figures.

Evolution of staff inflation projections (Q4 on Q4)

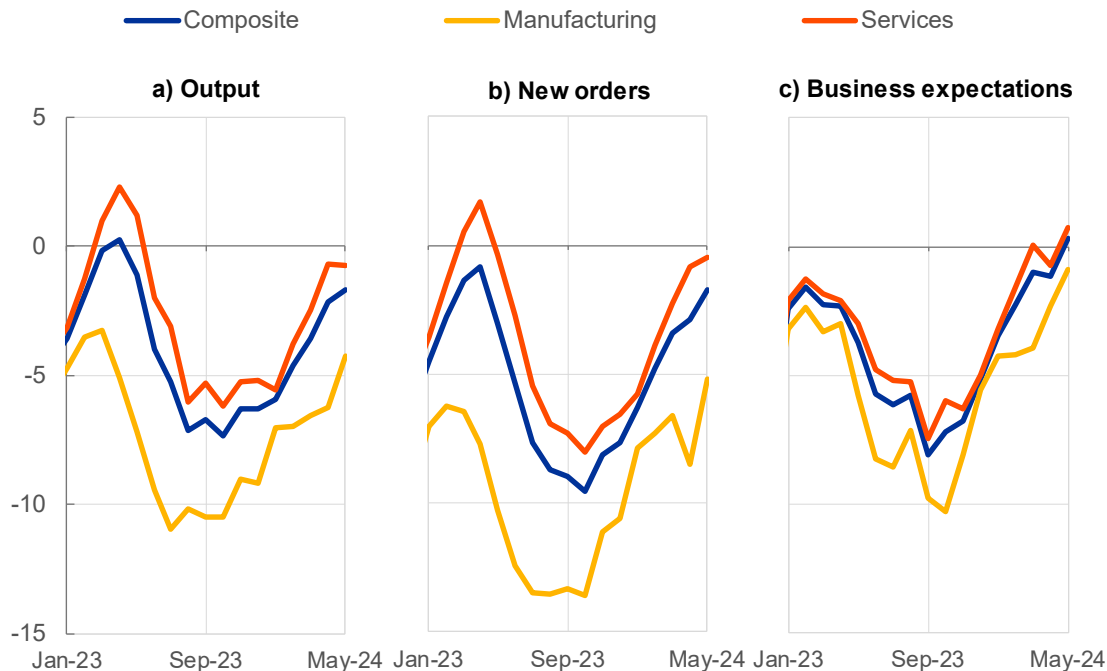
(annual % changes)

	ECB and Eurosystem staff projections			
	Jun. 24	Mar. 24	Dec. 23	Sep. 23
Q4 2023	2.7	2.7	2.8	3.3
Q4 2024	2.5	2.2	2.6	2.9
Q4 2025	2.0	1.9	2.0	1.9
Q4 2026	1.8	1.9	1.9	-

Sources: Eurosystem/ECB staff projections.

PMI

(diffusion indices, deviations from 2015-2019 averages)



Source: S&P Global.

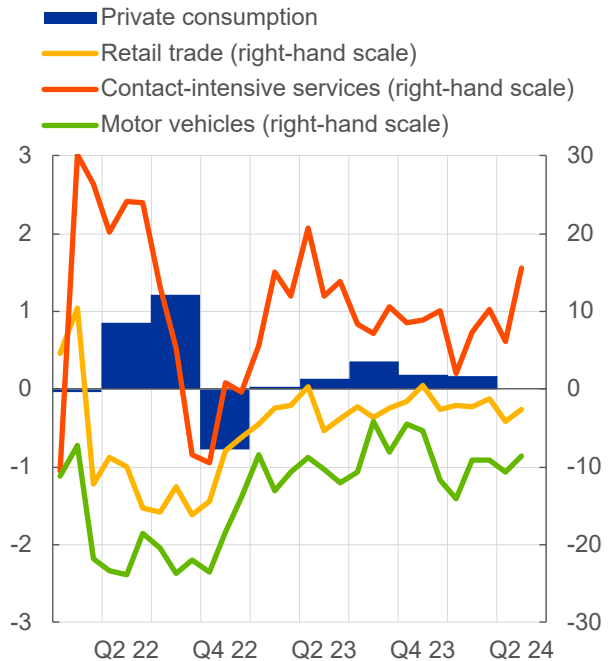
Notes: Future business activity expectations are for the next 12 months. All series are shown in deviations from 2015-2019 averages.

Latest observation: May 2024.

Private consumption

Real private consumption and expectations by spending category

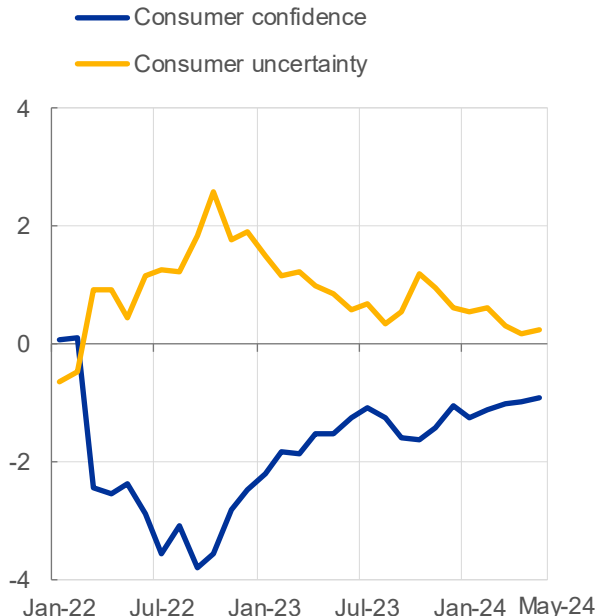
(q-o-q percentage changes, net balances)



Sources: Eurostat, DG-ECFIN and ECB calculations.
 Note: Retail trade, vehicles business expectations and expected demand for contact-intensive services (food, accommodation and travelling) over the next 3 months.
 Latest observations: National accounts consumption: Q1 2024; Surveys: May 2024.

Household confidence and uncertainty

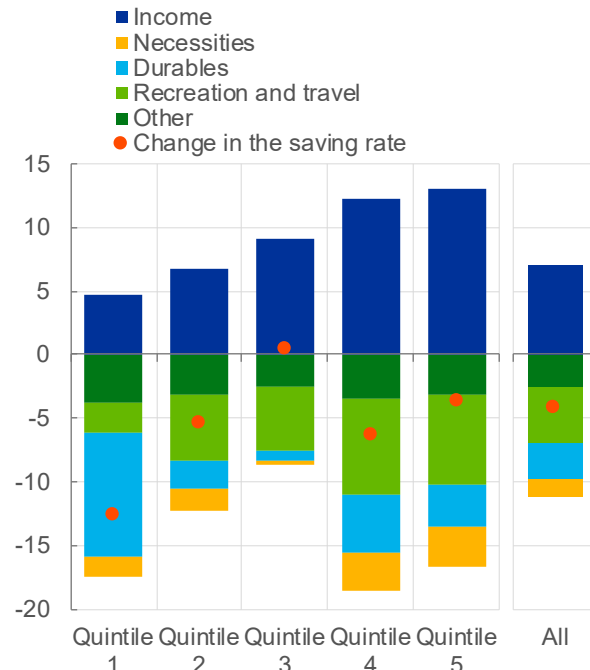
(standardised percentage balances)



Source: DG-ECFIN.
 Notes: Confidence is standardised using mean and standard deviation for the period 1985-2019. Uncertainty is standardised using the mean and standard deviation for the period April 2019 - May 2024.
 Latest observations: May 2024.

Change in CES-based savings rate Q2 2024 vs Q2 2023

(percentage changes)

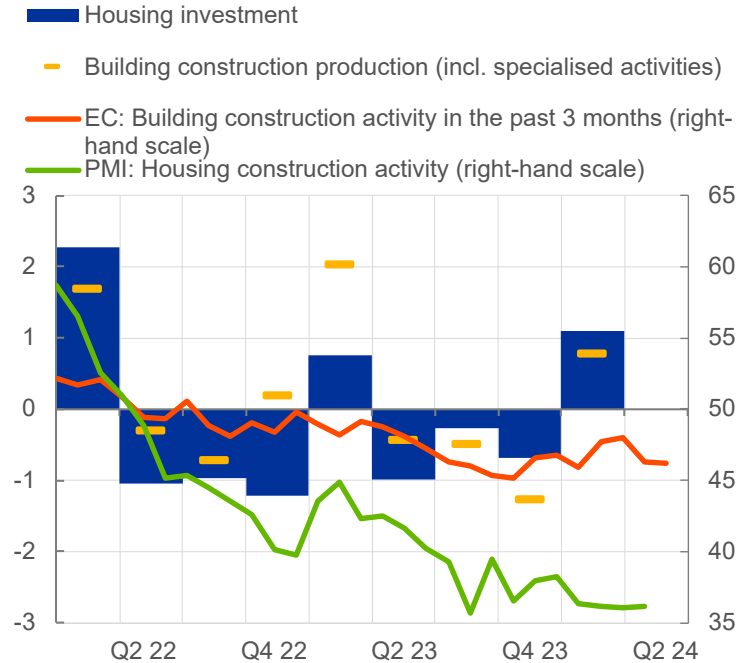


Sources: Eurostat, CES, DG-ECFIN and ECB calculations.
 Notes: Savings are computed as household net income minus private consumption. The CES data are not seasonally adjusted.
 Latest observation: Q2 2024.

Housing investment

Housing investment and short-term indicators

(q-o-q percentage changes, diffusion index)



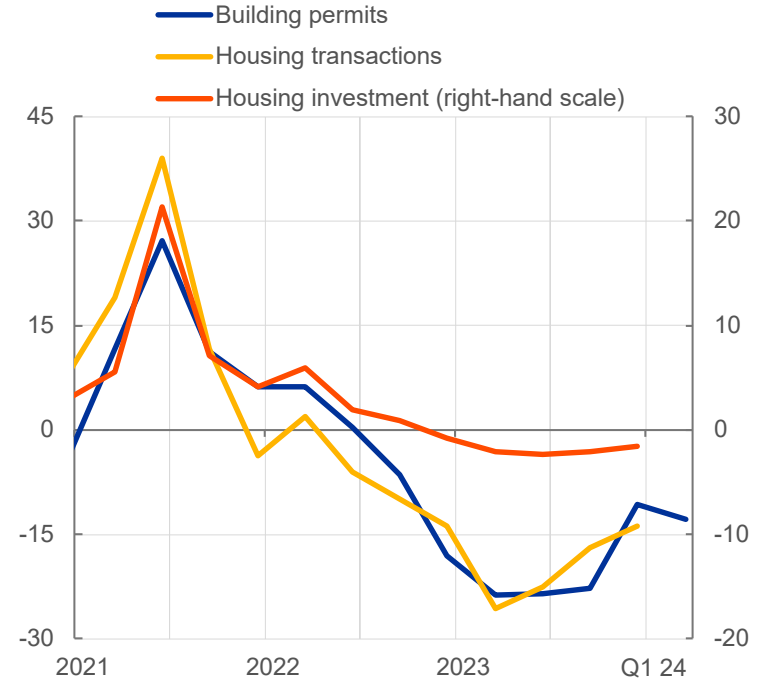
Sources: Eurostat, DG-ECFIN, S&P Global and ECB calculations.

Note: The EC indicator includes specialised activities and is transformed to have the same mean and standard deviation as the PMI.

Latest observations: Investment: Q1 2024; building construction production: March 2024; EC and PMI: April 2024.

Housing investment, housing sales and building permits

(y-o-y percentage changes)



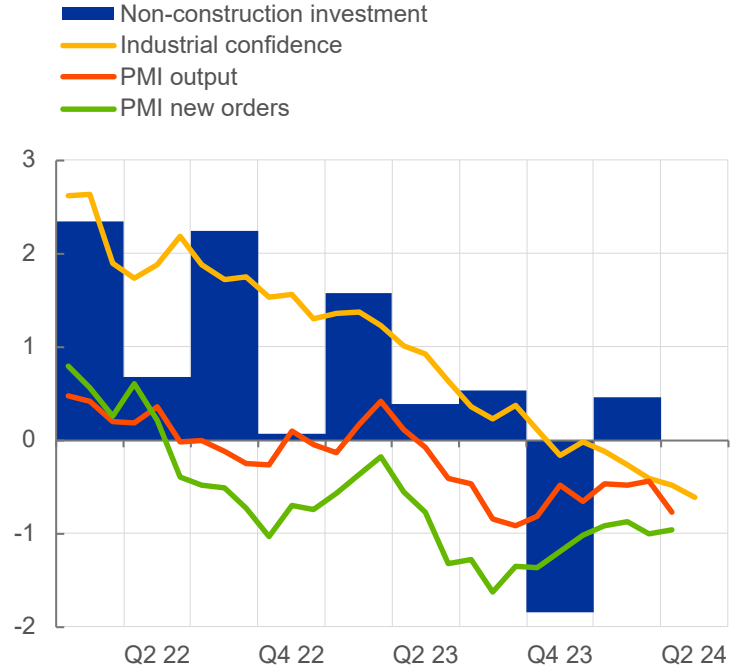
Source: Eurostat.

Note: The annual growth of housing transactions is the median in a sample of Belgium, Ireland, Spain, France, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia and Finland. The growth rate of building permits in Q1 2024 is computed based on the average of January and February.

Latest observations: Investment and transactions: Q4 2023; building permits: Q1 2024 (January/February).

Business investment and indicators for capital goods

(q-o-q percentage changes, balance indicator, diffusion indices)



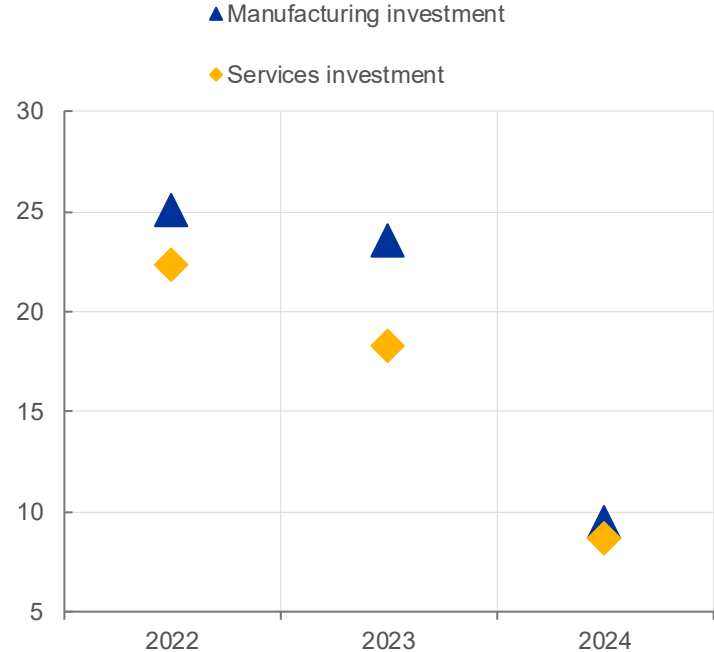
Sources: Eurostat, DG-ECFIN, S&P Global and ECB calculations.

Notes: Confidence normalised for pre-pandemic mean and standard deviation; PMIs as deviation from growth threshold divided by 10. Non-construction investment excludes Irish intangibles.

Latest observations: Investment: Q1 2024; PMIs: April 2024; Confidence: May 2024.

Annual investment intentions

(balance indicators)



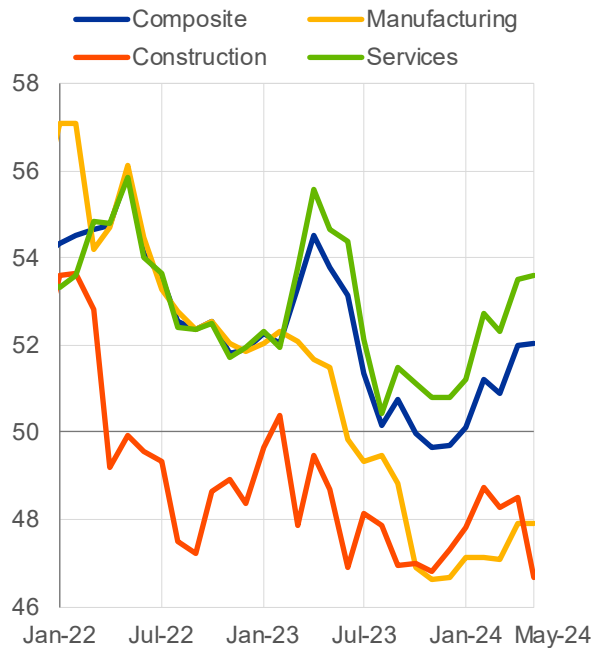
Source: DG-ECFIN Bi-annual Investment Survey.

Note: Investment Survey spring observations for respective years.

Latest observation: Investment surveys: Spring 2024.

Euro area PMI employment

(diffusion index)

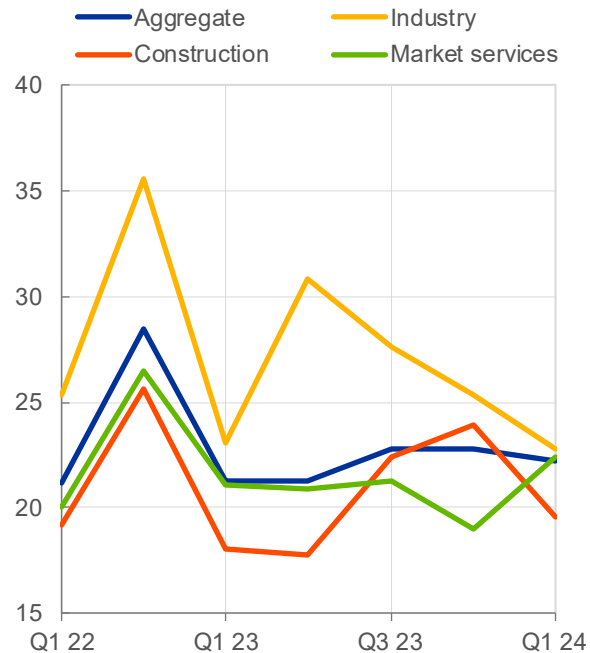


Source: S&P Global.

Notes: A level of 50 indicates neutral (no change) territory. Final release for composite, manufacturing, construction and services. Latest observation: April 2024.

Labour hoarding indicators

(share of firms, percentage)

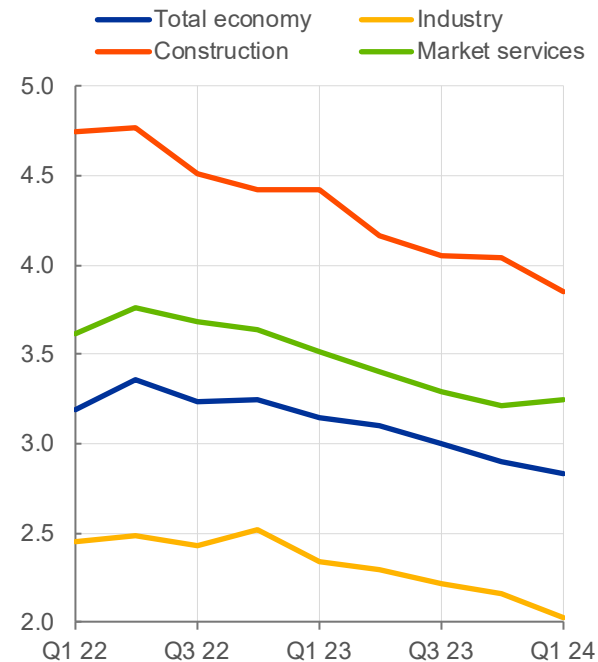


Sources: SAFE and ECB calculations.

Latest observation: Q1 2024.

Job vacancy rates

(percentage)



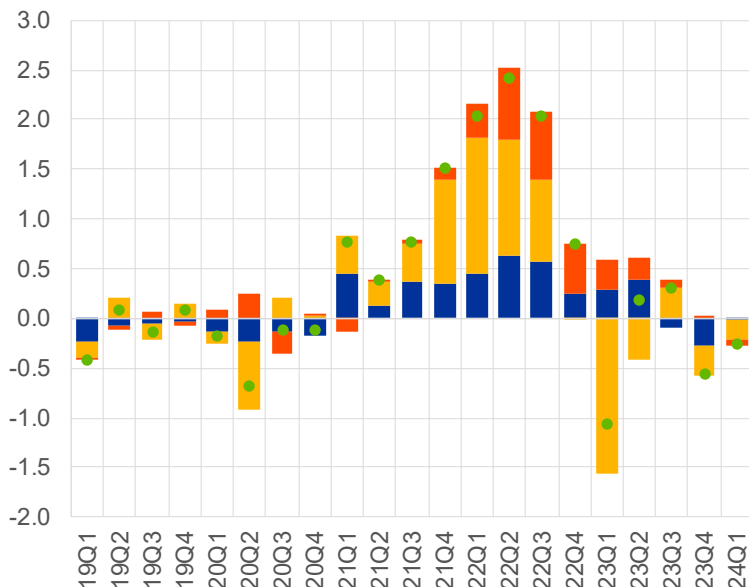
Source: Eurostat.

Latest observation: Q1 2024.

Decomposition of one-quarter-ahead HICP inflation errors in Eurosystem/ECB staff projections

(percentage points and percentage point contributions)

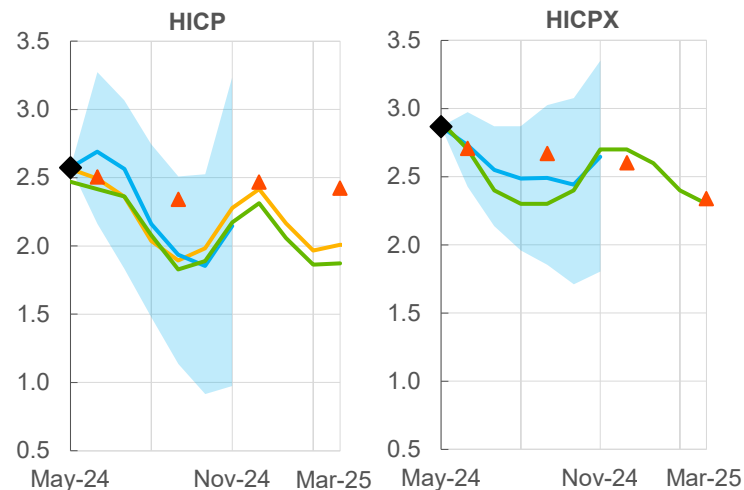
■ HICP excl. energy and food ■ HICP energy ■ HICP food ● HICP



Sources: Eurostat, ECB/Eurosystem staff projections.
 Note: Errors are defined as outturn minus the projection.
 Latest observation: May 2024 (flash).

Short-term forecasts for HICP and HICPX (annual percentage changes)

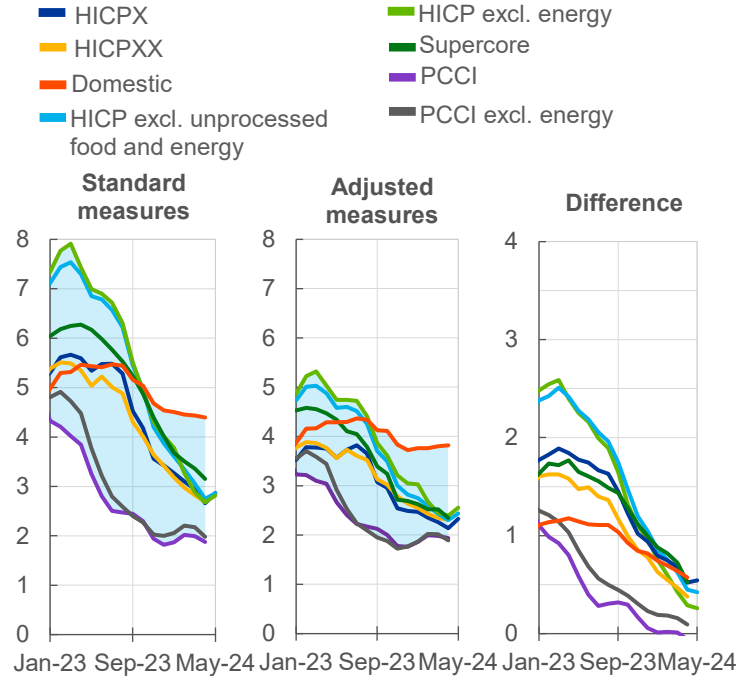
— Consensus (13 May 2024)
 ◆ HICP/HICPX
 — Regression forest mean (3 June 2024)
 ▲ June 2024 Eurosystem staff projections
 — Fixings (3 June 2024)



Sources: Eurostat, June and March 2024 NIPE, Consensus Economics, Bloomberg and ECB calculations. Notes: The cut-off date for the latest mechanical update is 31 May. The quantile regression forest estimates are from [Lenza, M., Moutachaker, I. and Paredes, I. \(2023\)](#). The HICP fixings reflect observed market prices. The HICPX fixings are estimated based on the model in [Grönlund, A. M., Jørgensen, K. and Schupp, F. \(2024\)](#). The latest actual observation is for May 2024 (flash).

Measures of underlying inflation

Measures of underlying inflation (annual percentage changes)

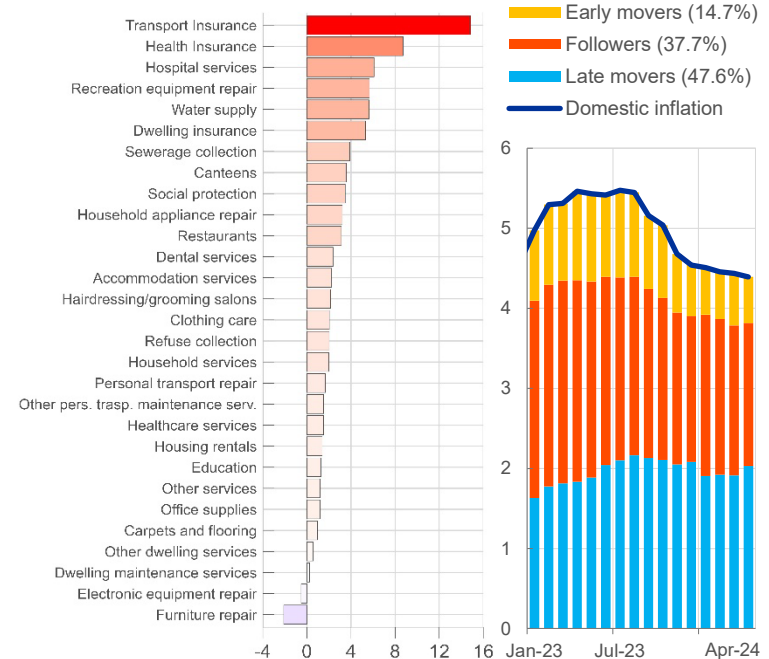


Sources: Eurostat and ECB calculations.

Note: The adjusted measures abstract from energy and supply-bottleneck shocks using a large SVAR, see [Bańbura, Bobeica and Martínez-Hernández, \(2023\)](#). The latest observations are for May 2024 (flash) for HICPX, HICP excluding unprocessed food and energy and HICP excluding energy, April 2024 for the rest.

Domestic inflation: momentum and decomposition into early, follow and late movers

(lhs: annualised 3 month-on-3 month percentage changes, rhs: annual percentage changes and percentage point contributions)

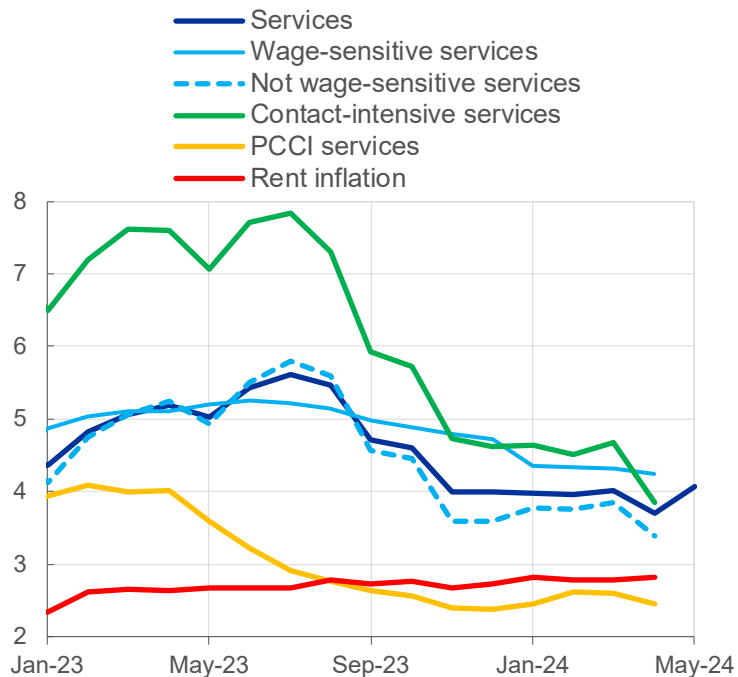


Sources: Eurostat and ECB calculations.

Notes: Left-hand side: Data are seasonally adjusted; shows deviation from long-term average. Right-hand side: Taxonomy based on [Corsetto \(2023\)](#), "The heterogeneous developments of the components of euro-area core inflation", Box in Banca d'Italia Economic Bulletin No. 4 / 2023. The latest observation is for April 2024.

Services inflation indicators

(annual percentage changes)

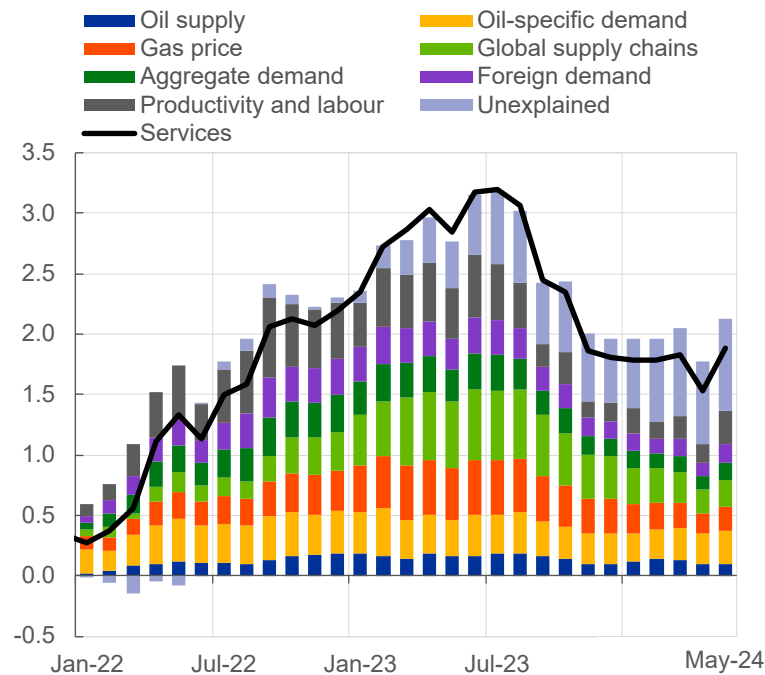


Sources: Eurostat and ECB calculations.

Notes: The latest observations are for May 2024 (flash) for services inflation and April 2024 for the rest.

Services inflation decomposition

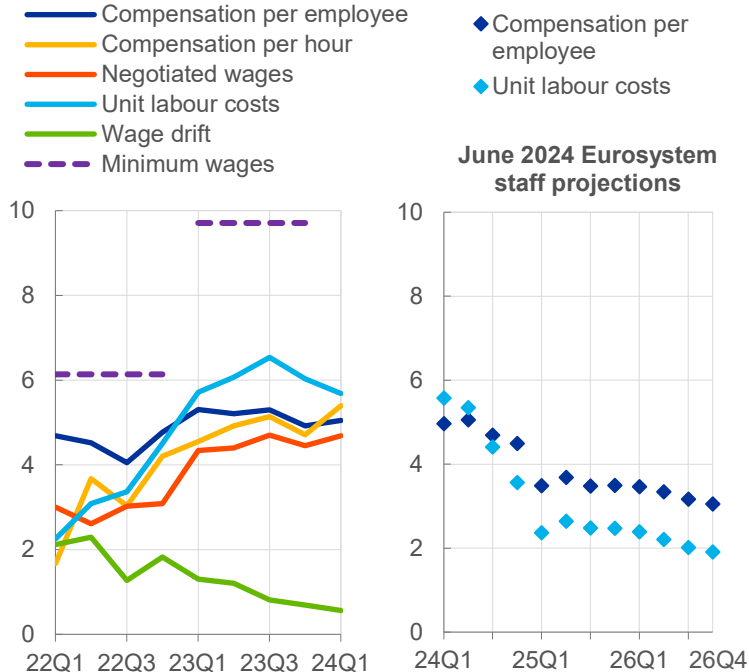
(percentage point in deviations from the mean and percentage point contributions)



Sources: Eurostat and ECB staff calculations. Notes: The chart shows the contribution of shocks for services inflation. Based on a version of [Bańbura, Boicea and Martínez-Hernández, \(2023\)](#). The latest observation is for May 2024.

Labour cost indicators and projections

(annual percentage changes and percentage point contributions)

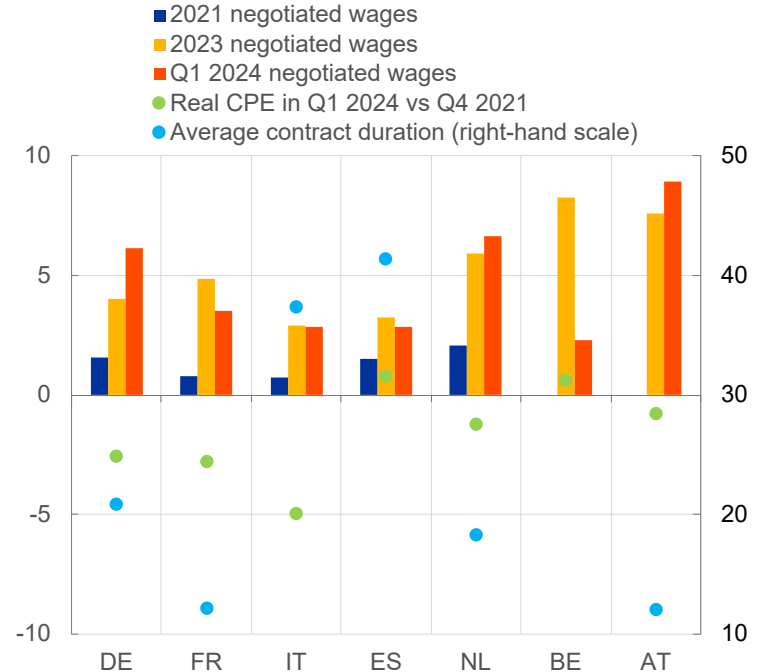


Sources: Eurostat, ECB, June 2024 BMPE and ECB calculations.

Notes: Minimum wage growth is for the euro area excluding Italy, Austria and Finland. The latest observations are for the first quarter of 2024.

Negotiated wage developments, real CPE and average contract duration in euro area countries

(annual percentage changes, percentages and months)



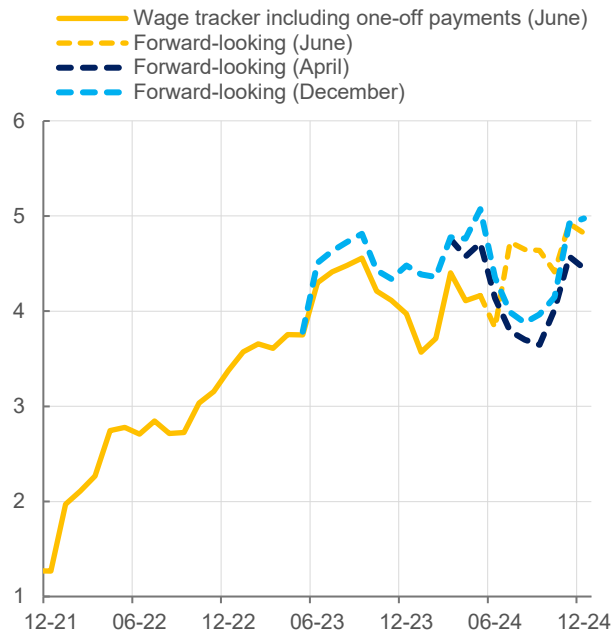
Sources: Eurostat and ECB calculations.

Notes: The latest observations are for the first quarter of 2024. Average contract duration refers to 2024.

Wage trackers

Euro area wage tracker

(annual percentage changes)



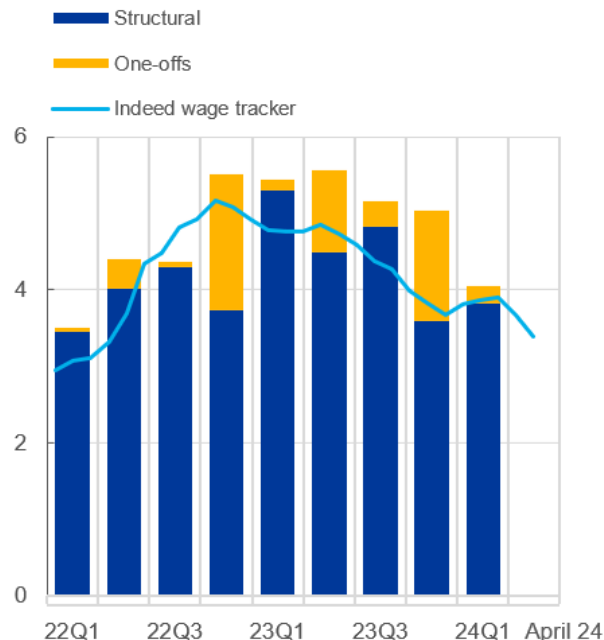
Sources: Calculated based on micro data on wage agreements provided by Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Osterreichische Nationalbank, Bank of Greece, Banca d'Italia, and Banque de France.

Notes: The (dashed) lines signal the path of the (forward-looking) wage tracker based on DE, FR, IT, ES, NL, AT and GR in the December 2023, April 2024 and June 2024 vintages. The forward-looking wage tracker shows the growth rate of all active agreements. The backward revision of 2023 is due to the German retail sector agreement – which ran out in Spring 2023 and was only included again when the deal was finally reached in May 2024 (with 0% wage growth until the wage increases will be paid out from Summer 2024 on). The indicator of latest agreements reflects wage growth in the agreements reached in a certain quarter for the 12 months after an agreement. One-off payments are smoothed over 12 months from the agreed disbursement date.

Latest observations: April 2024 for Indeed wage, May 2024 for the ECB wage tracker.

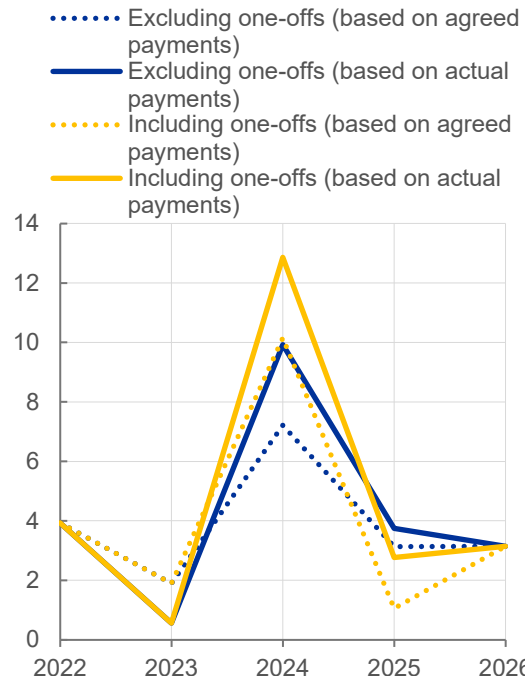
Euro area wage tracker – latest agreements

(annual percentage changes and percentages)



Wage growth in the German retail sector

(annual percentage change)

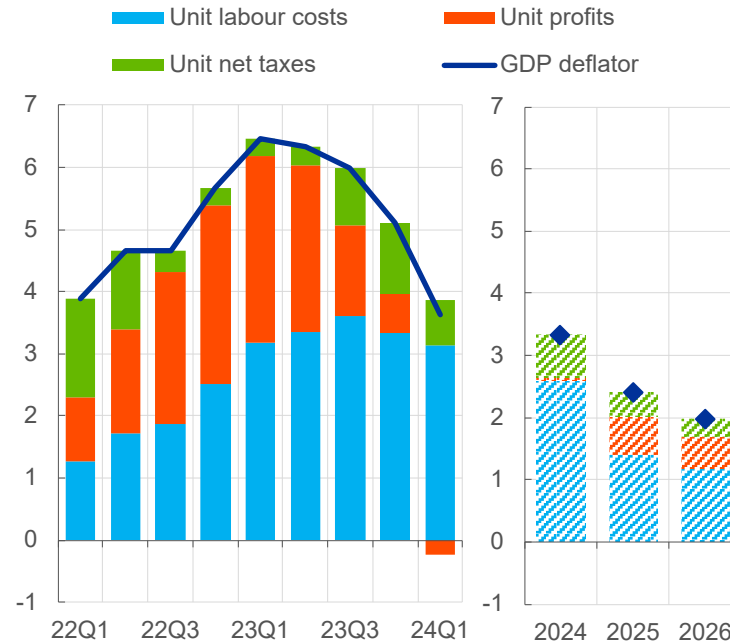


Sources: Deutsche Bundesbank, ECB Staff calculations.

Notes: The growth rates are based on the calculations for a representative worker in Hamburg. The difference between agreed and actual payments emerges due to retrospective pay increases due to be paid out in June/July 2024.

GDP deflator

(annual percentage changes and percentage point contributions)



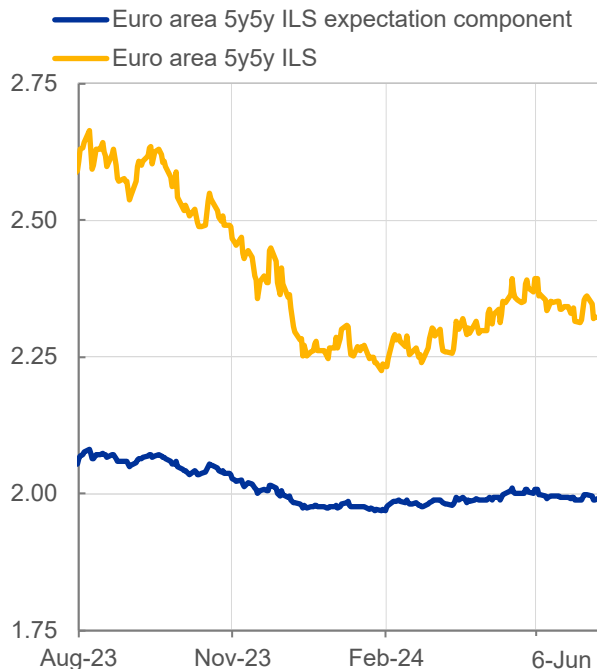
Sources: Eurostat, June 2024 BMPE and ECB calculations.

Notes: Unit taxes reflect taxes minus subsidies. When the contribution of subsidies on products is larger than the contribution of indirect taxes, the unit tax contribution turns negative. The latest observations are for the first quarter of 2024.

Inflation expectations

Decomposition of 5-year-in-5-year inflation-linked swap (ILS) rate

(annual percentage changes)

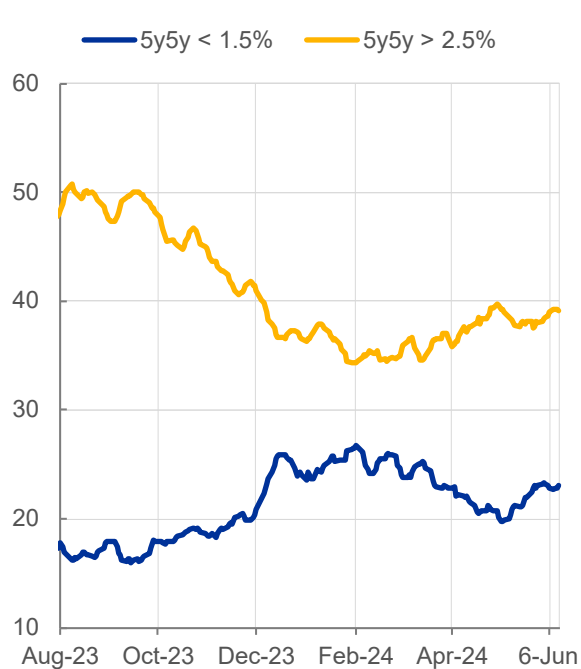


Sources: Bloomberg and ECB calculations.

Note: Premia-adjusted forward ILS rates are an average of estimates from two affine term structure models as in Joslin, Singleton and Zhu (2011) applied to ILS rates non-adjusted for the indexation lag; see Burban et al. (2022) and Box 4, Economic Bulletin, Issue 8, ECB, 2021. The latest observations are for 6 June 2024.

Option-implied probabilities of inflation outcomes

(percentages)

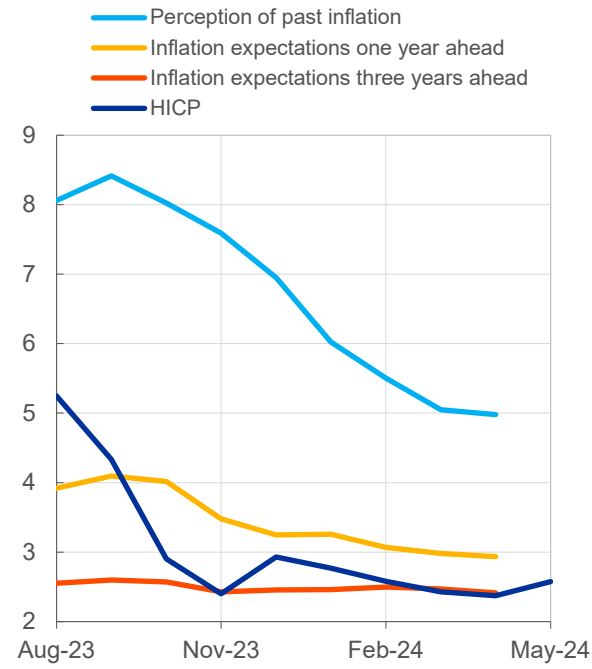


Sources: LSEG, Bloomberg and ECB calculations.

Note: Five-day moving average risk-neutral probabilities of inflation 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. The latest observations are for 6 June 2024.

ECB consumer expectations survey

(annual percentage changes)



Source: ECB Consumers Expectation Survey (CES).

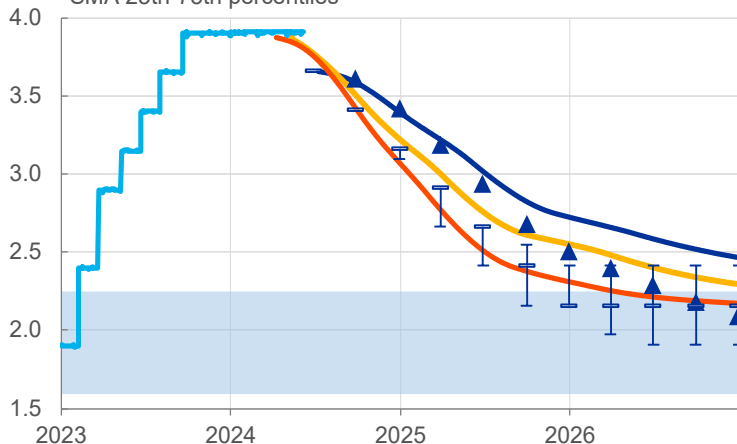
Note: The series refer to the median value.

The latest observations are for May 2024 (flash) for HICP and April 2024 for the rest.

€STR forward curve and survey expectations on the deposit facility rate

(percentages per annum)

- Range of ESCB measures of i^*
- ▲ €STR forward curve adjusted for term premia (latest)
- €STR forward curve (latest)
- €STR forward curve (pre-April Governing Council - 10 April 2024)
- €STR forward curve (pre-March Governing Council - 6 March 2024)
- Realised €STR
- SMA median (June 2024)
- SMA 25th-75th percentiles



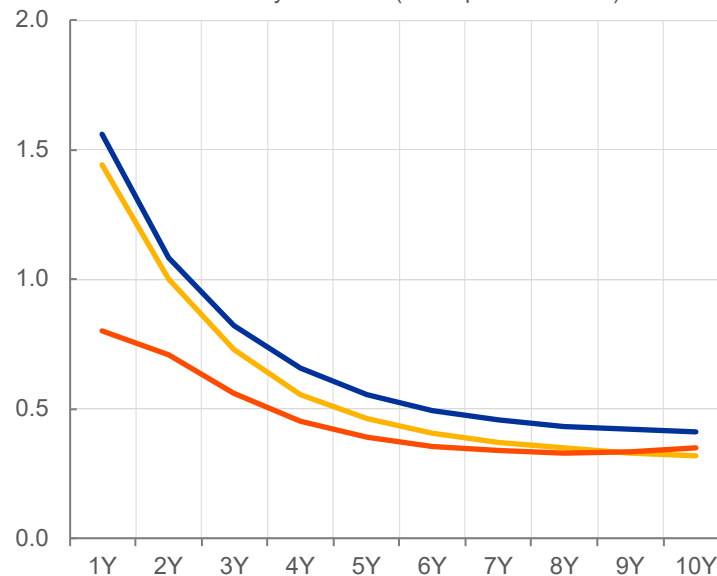
Sources: SMA, Bloomberg and ECB calculations.

Notes: Bars depict median responses in the June SMA on expectations of future deposit facility rates. Surveys are adjusted for an €STR-DFR spread. Model estimates are based on two affine term structure models, with and without survey information on interest rate expectations (both variations of Joslin, Singleton and Zhu (2011)), and a lower bound term structure model following Geiger and Schupp (2018) incorporating survey information on interest rates expectations. The range for the (nominal) neutral rate i^* is based on ESCB estimates. The latest observations are for 6 June 2024.

Euro area real yield curve

(percentages per annum)

- Real yield curve (6 June 2024)
- Real yield curve (10 April 2024)
- Real yield curve (13 September 2023)

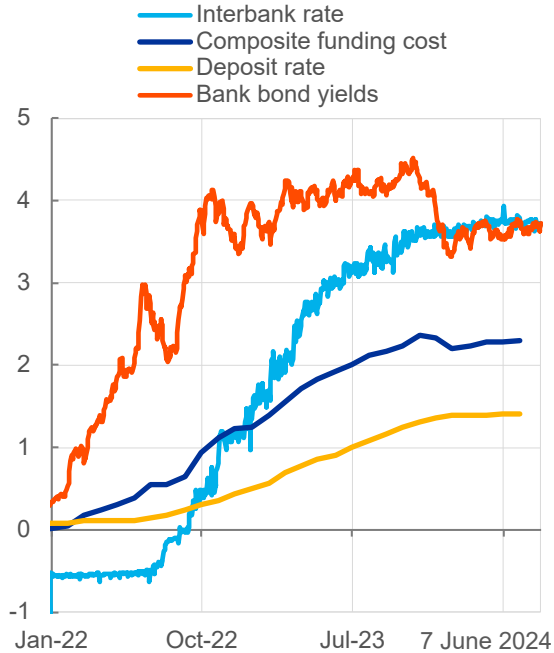


Sources: Bloomberg, LSEG and ECB calculations.

Note: The curves refer to the day before the April GovC meeting (10 April 2024) and the day before the September GovC meeting (13 September 2023). The latest observations are for 6 June 2024.

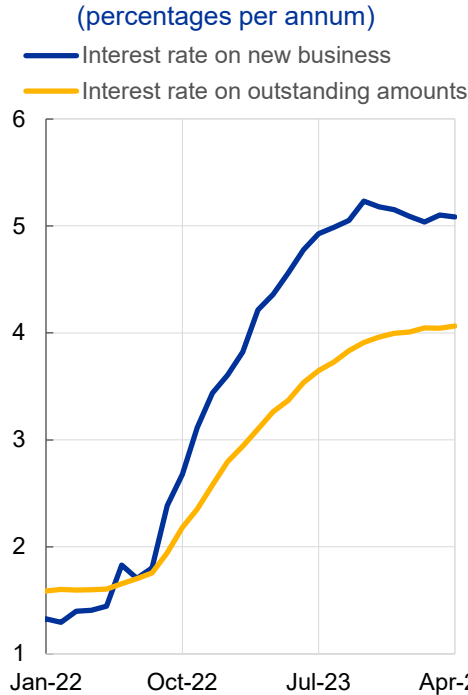
Bank funding costs and lending rates

Bank funding costs (percentages per annum)



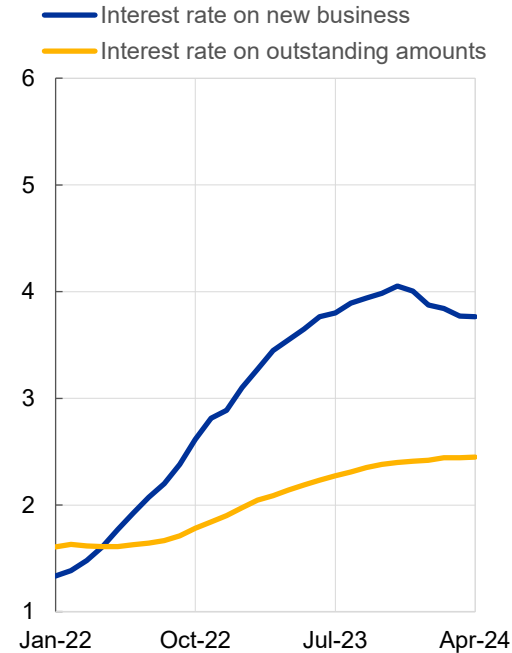
Sources: ECB (BSI, MIR, MMSR, CSDB), IHS Markit iBoxx and ECB calculations. Notes: Composite marginal funding costs are the weighted average of new business costs for overnight deposits, deposits redeemable at notice, time deposits, bonds, and interbank borrowing, weighted by outstanding amounts. The bank bond yield is computed by weighting IHS Markit iBoxx rates on covered, senior and subordinated bonds with outstanding amounts from CSDB. Latest observations: April 2024 for monthly data and 07 June 2024 for daily data

Lending rates for firm loans



Sources: ECB (MIR). Notes: Interest rates on new business refer to the indicator for the total cost of borrowing for firms, which is calculated by aggregating short-term and long-term rates on new business using a 24-month moving average of new business volumes. Latest observations: April 2024.

Lending rates for housing loans

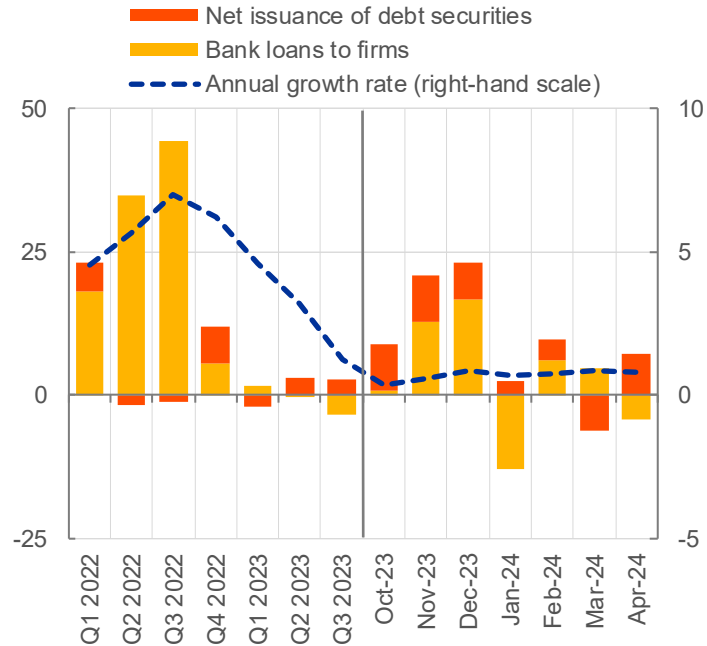


Sources: ECB (MIR). Notes: Interest rates on new business refer to the indicator for the total cost of borrowing for households for house purchase, which is calculated by aggregating short-term and long-term rates on new business using a 24-month moving average of new business volumes. Latest observation: April 2024.

Lending to firms and households

Net debt financing flows of euro area firms

(lhs: average monthly flows over the respective period in EUR bn; rhs: annual percentage changes)



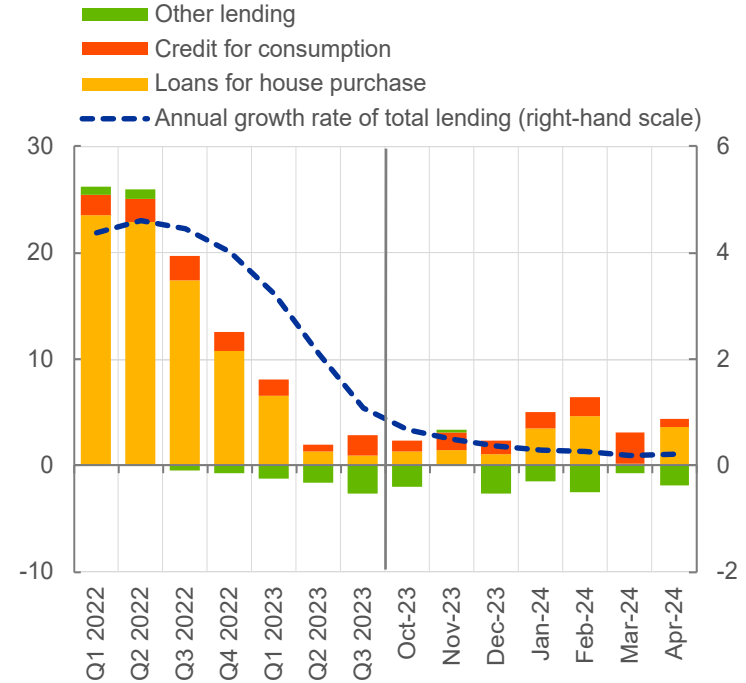
Sources: ECB (BSI, CSEC) and ECB calculations.

Notes: The seasonal adjustment for the net issuance of debt securities is not official. Bank loans are adjusted for sales, securitisation and cash pooling.

Latest observation: April 2024

Bank loans to households

(lhs: average monthly flows in EUR bn; rhs: annual percentage change)

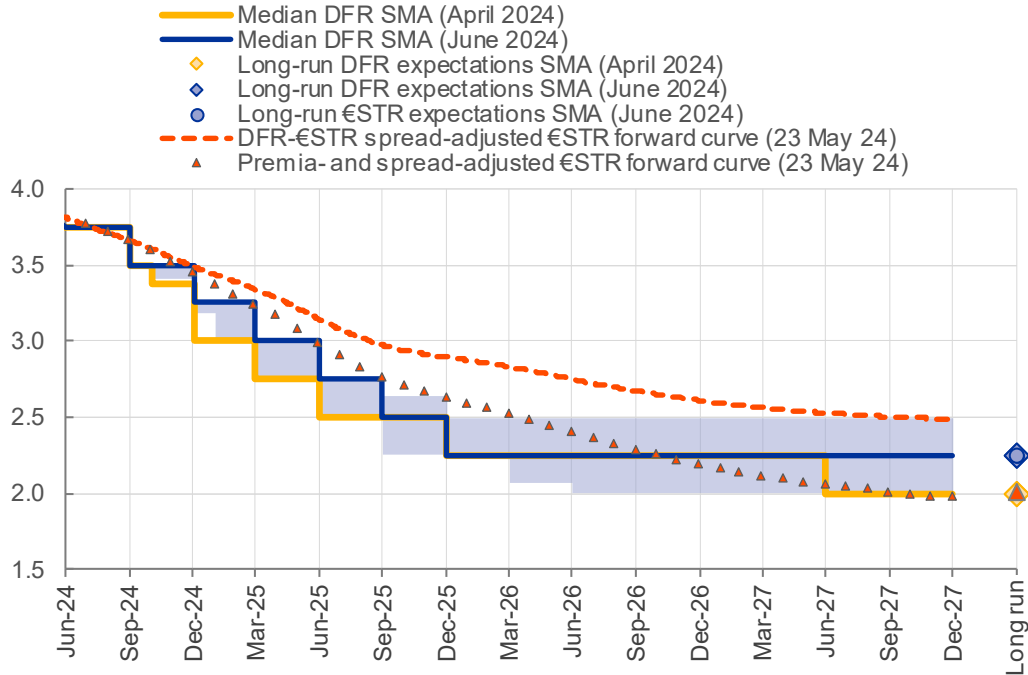


Sources: ECB (BSI) and ECB calculations.

Note: Bank loans are adjusted for sales and securitisation.

Latest observation: April 2024.

Median DFR expectations (percentage per annum)



Sources: SMA, Bloomberg and ECB calculations.

Notes: The premia- and spread-adjusted €STR forward curve refers to the plain €STR forward curve adjusted for term premia and the spread between the DFR and €STR on 23 May 2024, which was 9 bps. The blue shaded area around the DFR SMA depicts the interquartile range. Responses are allowed at GovC frequency until April 2025 and at quarterly frequency thereafter.