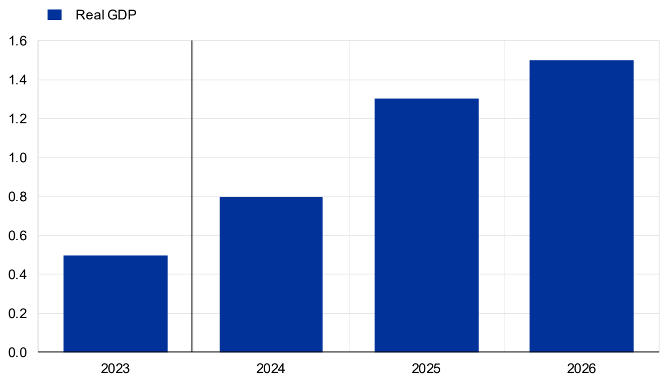
Introductory statement in three charts

ECON hearing with the ECB President on 30 September 2024

Real GDP growth

(annual percentage changes)



Sources: Eurostat and September 2024 ECB staff projections.
Note: The vertical line indicates the start of the projection horizon.

Economic activity

After several quarters of near stagnation, growth resumed in early 2024.

- GDP expanded by 0.2% in the second quarter of this year, after 0.3% in the first quarter.
- The services sector is holding up, while activity in the manufacturing and construction sectors remains subdued.

The recovery is facing headwinds but is expected to strengthen over time.

- The latest ECB staff projections foresee the economy growing by 0.8% in 2024, 1.3% in 2025 and 1.5% in 2026.

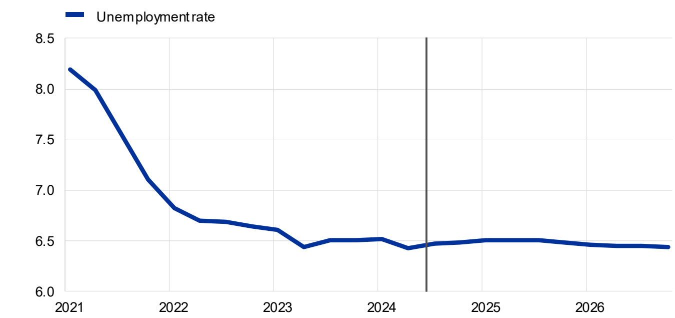
Unemployment

The labour market remains resilient – the unemployment rate has been stable over the past year and stood at 6.4% in July.

- The unemployment rate has declined strongly since its peak during the pandemic and is currently lower than it was before the pandemic.
- While the latest ECB staff projections show a slowdown in employment growth, the unemployment rate is projected to remain around its current low level.

Unemployment rate

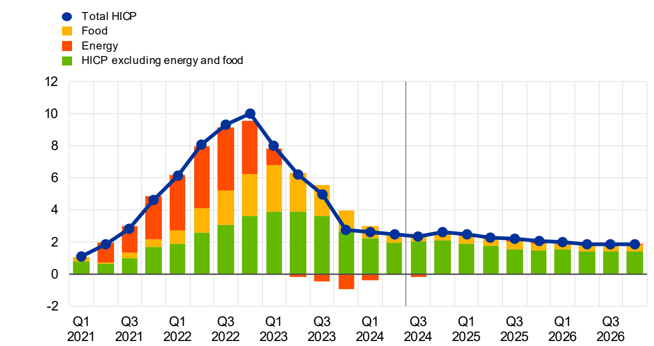
(percentage of labour force)



Sources: Eurostat and September 2024 ECB staff projections.
Note: The vertical line indicates the start of the projection horizon.

Inflation developments

(annual percentage changes and percentage point contributions)



Sources: Eurostat and September 2024 ECB staff projections.
Notes: Quarterly data. The vertical line indicates the start of the projection horizon.

Inflation

Inflation has come down significantly from its peak in autumn 2022.

- Headline inflation stood at 2.2% in August, 0.4 percentage points lower than in July.
- Domestic inflation remained high in August as wages continued to grow at an elevated pace.
- The latest staff projections expect inflation to average 2.5% in 2024, 2.2% in 2025 and 1.9% in 2026, the same as in the June projections.

WANT TO KNOW MORE?

- Monetary Policy Statement, ECB Press Conference, 12 September 2024
- ECB staff macroeconomic projections for the euro area, 12 September 2024

EUROPEAN CENTRAL BANK

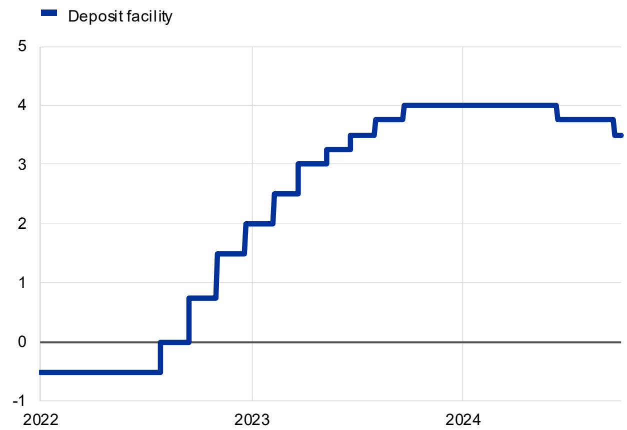
Topic 1: Monetary policy stance

The ECB has made significant progress in the fight against inflation. Following unprecedented rate hikes, our monetary policy stance is now less restrictive.

- Starting in July 2022 we increased the deposit facility rate – the rate through which we steer the monetary policy stance – by 450 basis points in total. It reached 4% in September 2023, where it stayed until June this year.
- In both June and September this year, we lowered the deposit facility rate by 25 basis points.
- Governing Council decisions will continue to be data-dependent. We are not pre-committing to a particular rate path.

ECB policy rates

(percentages)



Source: ECB.

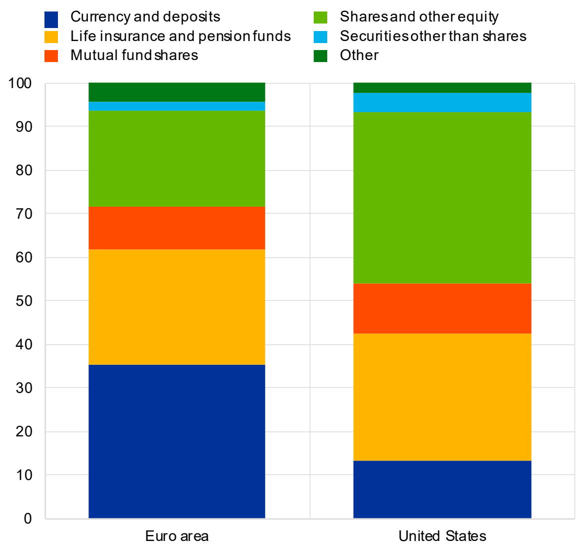
Topic 2: Capital markets union

Europe's capital markets remain fragmented and underdeveloped. An ambitious CMU agenda would help to finance the green and digital transition and provide savers with the possibility of earning higher returns.

- Compared with the United States, European households currently hold a large portion of their savings in deposits rather than higher-return, longer-term assets.
- Only greater scale and depth will make EU capital markets attractive to investors and issuers. This requires further integration through harmonisation, common supervision and consolidated infrastructure.
- Enhancing the EU's competitiveness and productivity hinges on European firms getting the financing they need throughout their lifecycle.

Household savings by type of financial asset

(percentages)



Source: OECD and ECB calculations.
Note: The euro area aggregate is calculated as an average of asset type shares, weighted by the total value of household financial assets by country. Latest observation is 2022.

WANT TO KNOW MORE?

- **Changes to the operational framework for implementing monetary policy, ECB, press release, 13 March 2024**
- **Statement by the ECB Governing Council on advancing the Capital Markets Union, 7 March 2024**