

# The euro area outlook and monetary policy

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MNI webcast  
18 December 2024



## December 2024 staff projections: key macroeconomic variables

	December 2024 (annual percentage change)				vs September 2024 (percentage points)		
	2024	2025	2026	2027	2024	2025	2026
	HICP	2.4	2.1	1.9	2.1	-0.1	-0.1
HICP excl. energy and food	2.9	2.3	1.9	1.9	0.0	0.0	-0.1
Compensation per employee	4.6	3.3	2.9	2.8	0.1	-0.3	-0.3
Unit labour costs	4.7	2.6	2.0	2.0	0.2	0.0	-0.1
Real GDP	0.7	1.1	1.4	1.3	-0.1	-0.2	-0.1
Private consumption	0.9	1.3	1.3	1.2	0.1	-0.1	-0.2
Government consumption	2.3	1.2	1.2	1.0	1.1	0.1	0.1
Total investment	-1.7	1.2	2.2	1.6	-1.2	0.0	0.1
Unemployment rate (% of labour force)	6.4	6.5	6.3	6.1	-0.1	0.0	-0.2
	December 2024 (Q4-on-Q4 percentage change)				vs September 2024 (percentage points)		
	Q4 2024	Q4 2025	Q4 2026	Q4 2027	Q4 2024	Q4 2025	Q4 2026
	HICP	2.3	2.0	1.9	2.1	-0.3	0.0
HICP excluding energy and food	2.8	2.1	1.9	1.9	-0.1	0.0	0.0
Compensation per employee	4.2	2.9	2.9	2.7	-0.1	-0.4	-0.1
Unit labour costs	3.7	2.0	1.9	1.9	0.0	-0.2	0.0
Real GDP	1.1	1.2	1.5	1.2	0.0	-0.3	0.1
Private consumption	1.2	1.2	1.3	1.1	0.3	-0.3	-0.1
Government consumption	2.1	0.6	1.6	0.6	1.7	-0.9	0.7
Total investment	-1.5	0.3	2.5	1.2	-0.8	-1.0	0.2
Unemployment rate (% of labour force)	6.4	6.4	6.2	6.0	-0.1	-0.1	-0.2

Note: Revisions calculated based on rounded figures.

## Evolution of GDP growth projections (Q4-on-Q4)

(annual % changes)

GDP	12/23	03/24	06/24	09/24	12/24
Q4 2024	1.3	1.1	1.5	1.1	1.1
Q4 2025	1.5	1.7	1.4	1.5	1.2
Q4 2026	1.5	1.5	1.6	1.4	1.5
Q4 2027	-	-	-	-	1.2

Sources: ECB and Eurosystem staff projections.

## Evolution of HICP inflation projections (Q4-on-Q4)

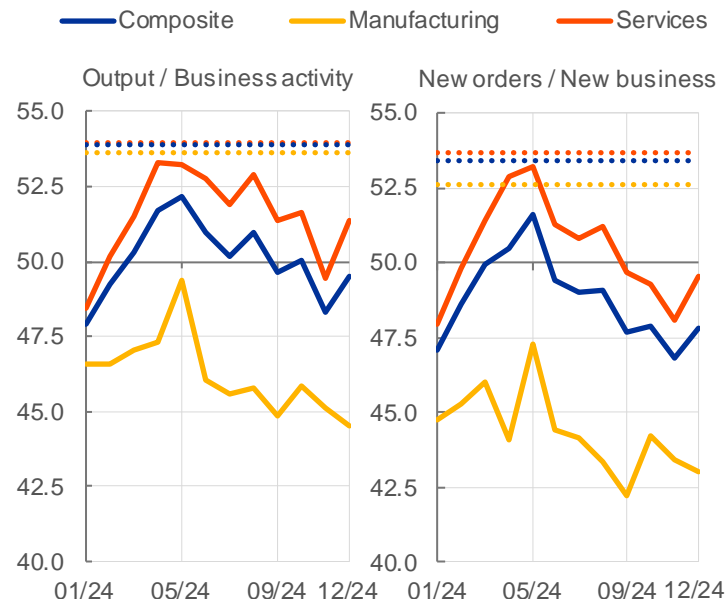
(annual % changes)

HICP	12/23	03/24	06/24	09/24	12/24
Q4 2024	2.6	2.2	2.5	2.6	2.3
Q4 2025	2.0	1.9	2.0	2.0	2.0
Q4 2026	1.9	1.9	1.8	1.9	1.9
Q4 2027	-	-	-	-	2.1

Sources: ECB and Eurosystem staff projections.

## Composite, manufacturing and services PMIs

(diffusion index)

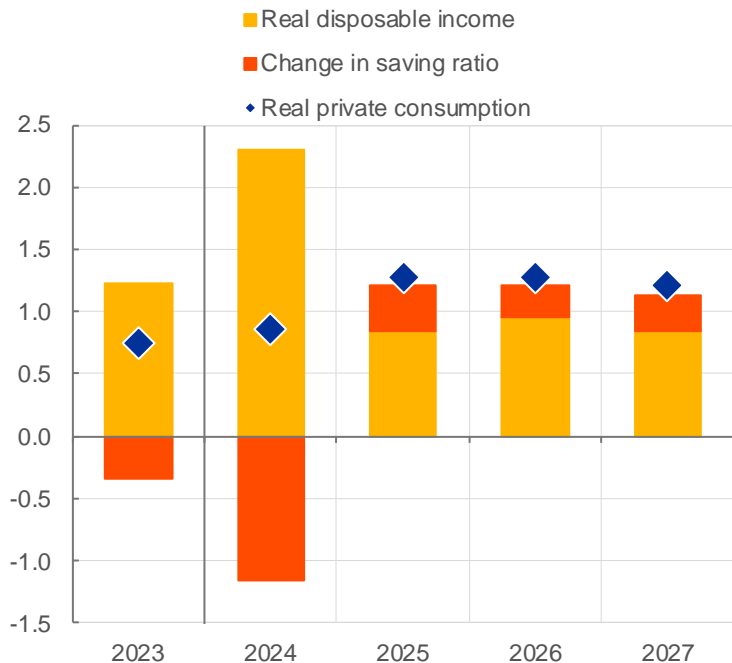


Source: S&P Global.

Notes: Dotted lines refer to 2015-2019 means. 'Output' and 'new orders' correspond to manufacturing and composite and 'business activity' and 'new business' to services. The latest observations are for December 2024.

## Real private consumption growth decomposition

(annual percentage changes, pp contributions)

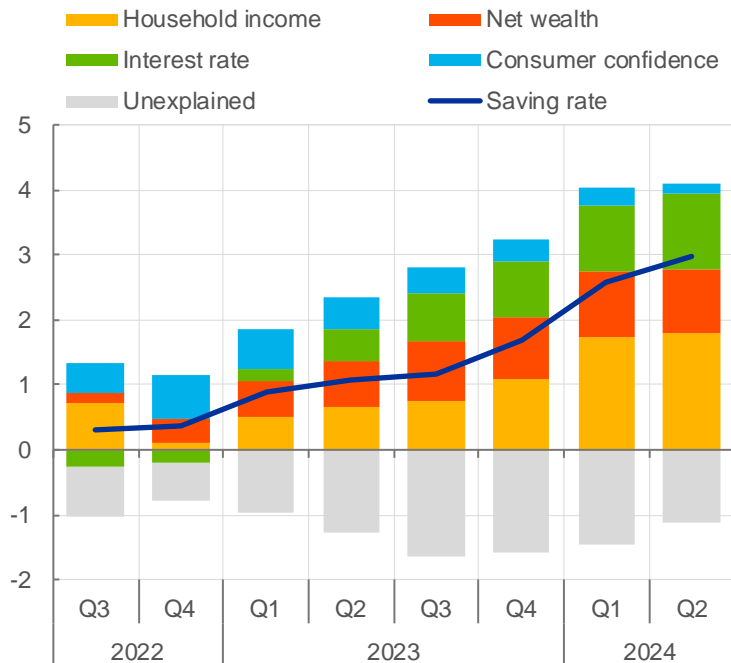


Sources: December 2024 Eurosystem staff projections and ECB calculations.

Note: An increase in the saving rate implies a negative contribution of savings to consumption growth.

## Change in the household saving rate

(percentage point changes since the second quarter of 2022 and percentage point contributions)

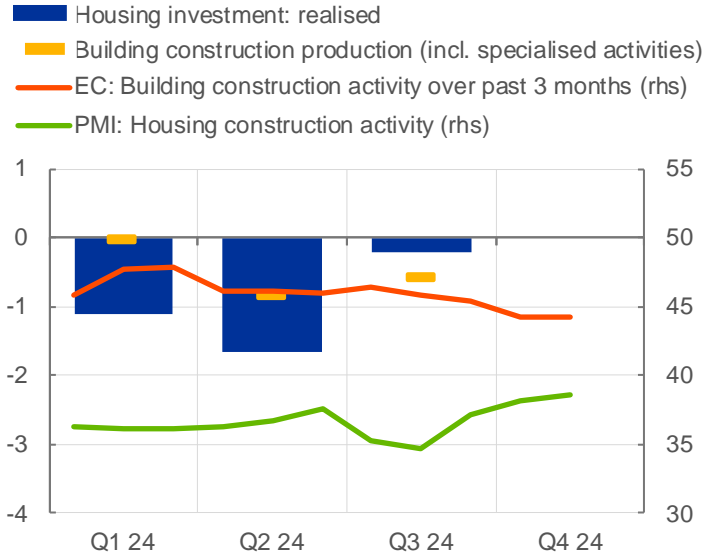


Sources: Eurostat, ECB, ECB and Eurostat (QSA) and ECB calculations.

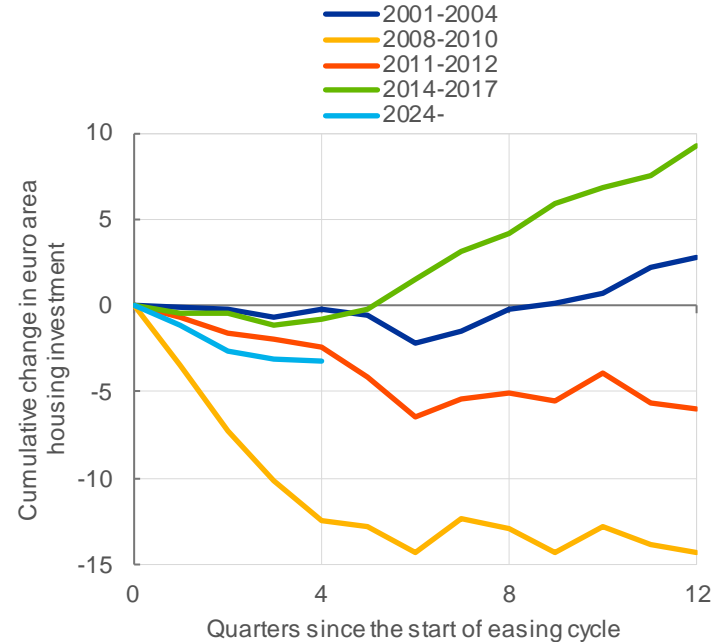
Notes: The chart shows the contributions of real household income, real net wealth, real interest rates and consumer confidence to the cumulative changes in the household saving rate since the second quarter of 2022, based on an estimated error correction model for private consumption growth and taking the growth in real household income as given.

## Housing investment and short-term indicators

(left-hand-side: quarter-on-quarter percentage changes; right-hand-side: diffusion indices, monthly)



## Housing investment turning points (cumulative changes)



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

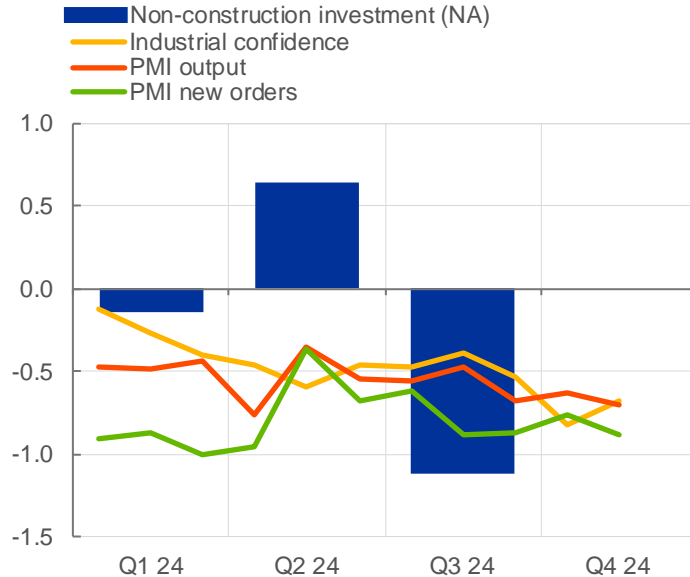
Notes: The EC indicator includes specialised activities (i.e. the construction of parts of buildings or preparation thereof, e.g. concrete work, brick laying etc.) and is transformed to have the same mean and standard deviation as the PMI. The latest observations are for the third quarter of 2024 for housing investment, September 2024 for building construction production and November 2024 for EC and PMI.

Sources: Eurostat, ECB and ECB calculations.

Note: The modified Bry-Boschan algorithm is used to date the turning points in the monetary policy rate (measured as the 3-month EURIBOR).

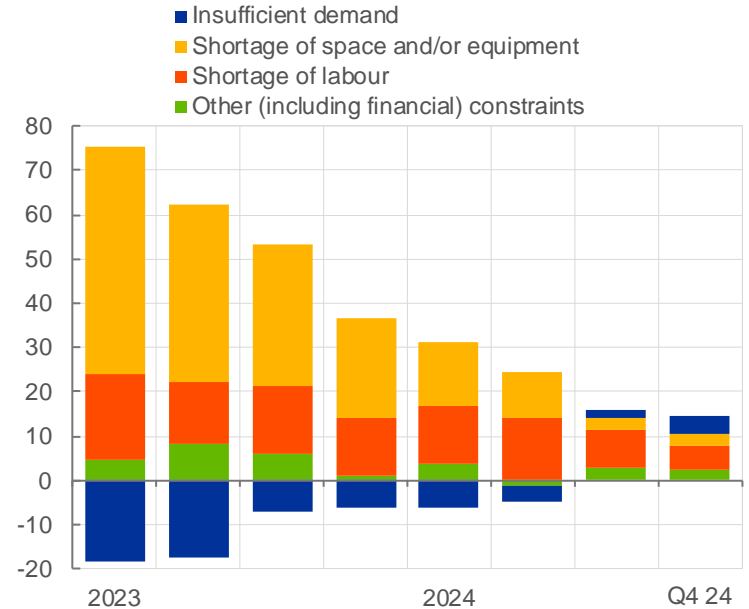
## Business investment and capital goods indicators

(quarter-on-quarter percentage changes, standardised surveys)



## Limits to production in the capital goods sector

(percentage balances)

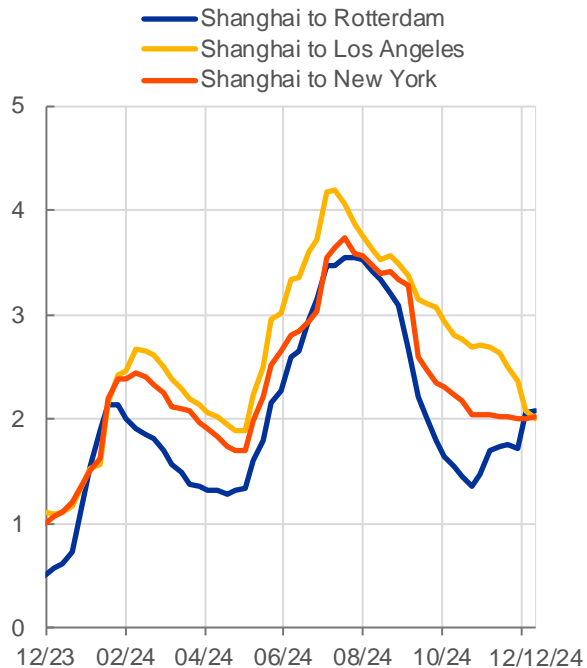


Sources: Eurostat, S&P Global, DG-ECFIN and ECB calculations.  
 Notes: Non-construction investment exclude Irish IPP. PMIs in deviation from 50, divided by 10. Confidence is standardised. The latest observations are for the third quarter of 2024 for investment and November 2024 for the other variables.

Source: DG-ECFIN.  
 Notes: The series are adjusted to the 2008-2019 average. The latest observations are for the fourth quarter of 2024.

## Shipping prices

(indices, 02/01/2020 = 1)

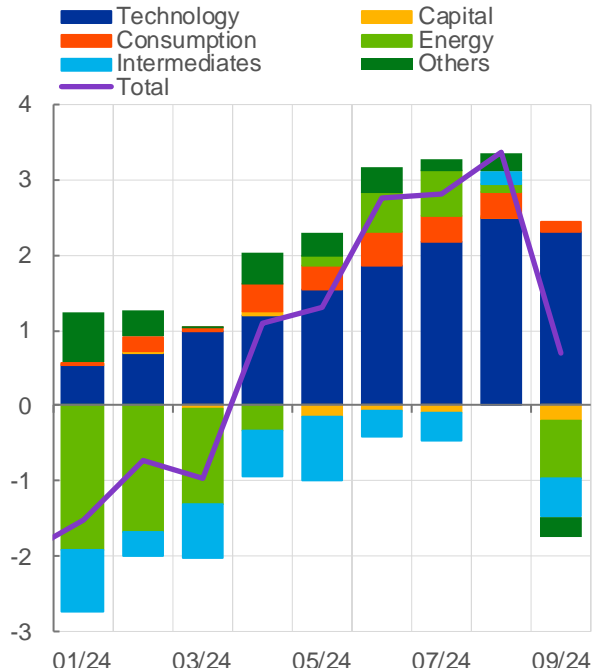


Sources: Drewry shipping consultants via Haver Analytics and ECB staff calculations.

Note: The latest observations are for 12/12/2024.

## World (excluding EA) imports of goods

(annual percentage changes, percentage point contributions, 3month moving average)

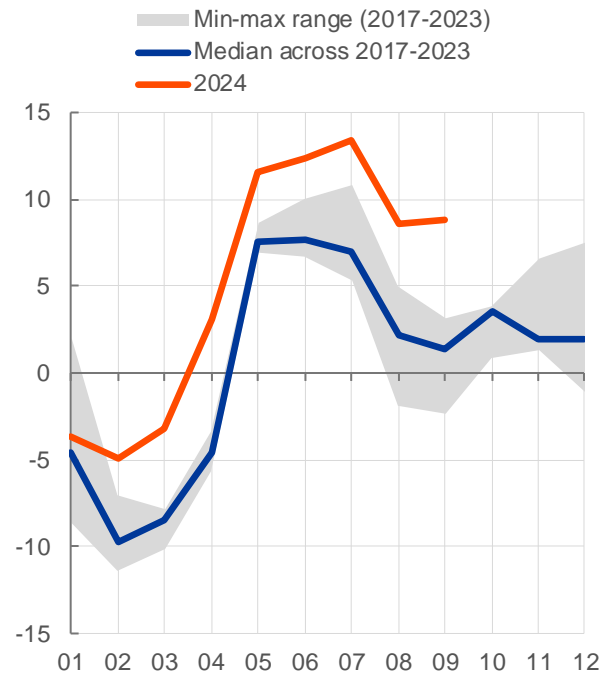


Sources: Trade Data Monitor (TDM) and ECB staff calculations.

Notes: Adjusted Broad Economic Categories (BEC) definitions to account for technological and energy goods. Technological goods include products from two-digit categories such as 84, 85, 87 and 88. In particular, semiconductor product definitions at four-digits (8541, 8542, 8486) are also considered. The latest observations are for September 2024.

## US – chips and AI related imports

(3month-on-3month percentage changes)



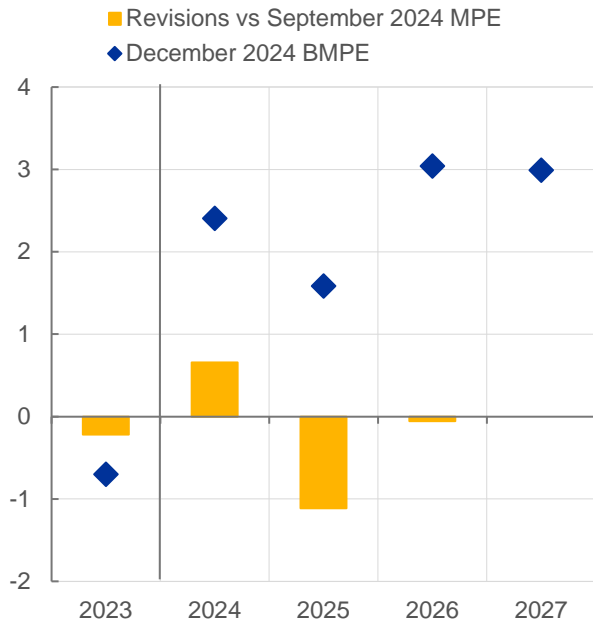
Sources: Trade Data Monitor (TDM), Global Trade Alert (GTA) and ECB staff calculations.

Notes: The list of chips and AI-related products was retrieved from Global Trade Alert announcements of policies targeted to AI, chips and quantum-related technologies. There were 259 such six-digit harmonised commodity system (HS) products identified. The latest observations are for September 2024.



## Forecasted extra euro area export volumes

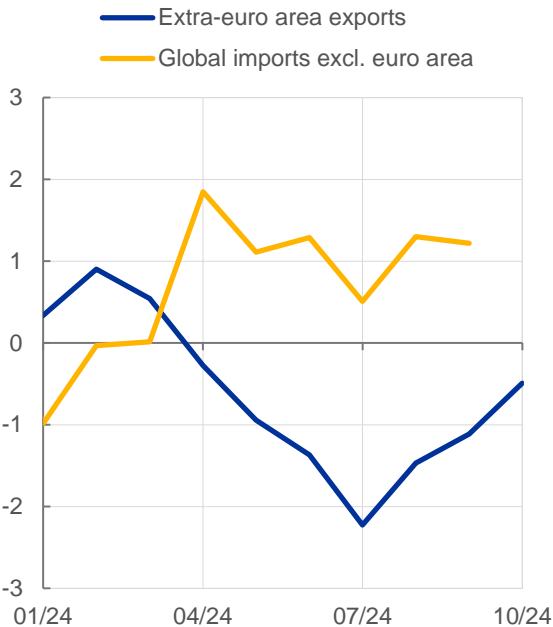
(annual percentage change)



Sources: December 2024 Eurosystem staff projections and September ECB staff projections.

## Euro area goods exports volumes

(3 months-on-3 months percentage change)

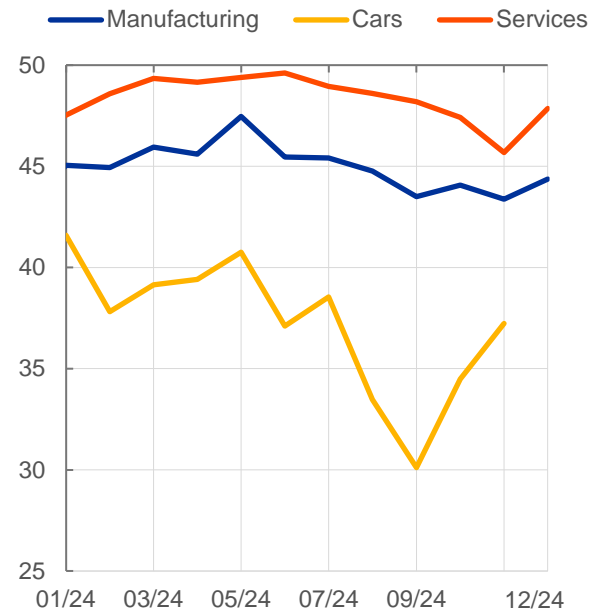


Sources: Eurostat and CPB.

Notes: Global imports are in volumes; goods exports are in volume index. The underlying data are seasonally adjusted. As export volume data for October is not available, the latest data point is approximated by deflating October values with industrial export prices. The latest observations are for September 2024 for global imports and October 2024 for extra-euro area exports.

## PMI new export orders

(diffusion index)



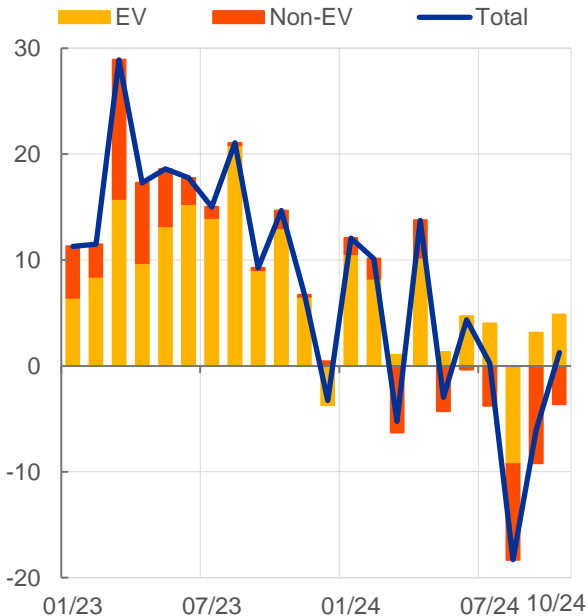
Sources: S&P Global and ECB staff calculations.

Notes: The car sector is included in the manufacturing PMI. A diffusion index is obtained by adding together the percentage of respondents reporting "higher" and half of the percentage of respondents reporting "the same". A number bigger than 50 indicates an expansion, an index smaller than 50 indicates a contraction. The latest observations are for December 2024 (except November for cars PMI).



## New vehicle registrations in the EU

(year-on-year growth)

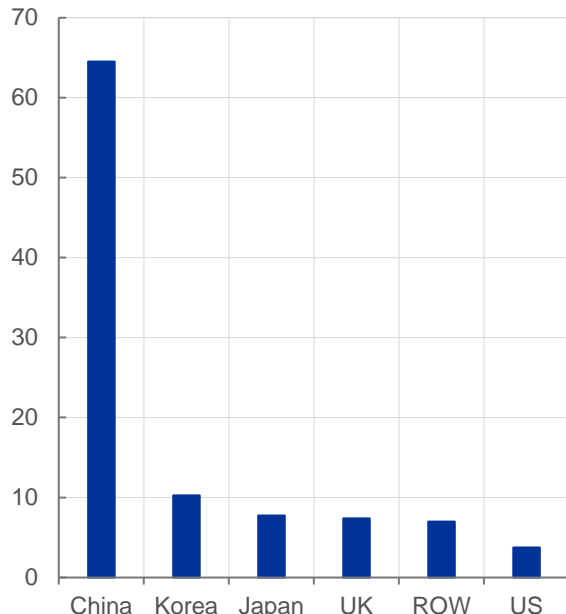


Sources: Acea, Haver Analytics.

Notes: Category "EV" includes battery electric vehicles (BEV) and "Other EV", as hybrid and plug-in hybrid vehicles. "Non-EV" includes petrol- and diesel-powered vehicles. The latest observations are for October 2024.

## Extra-EU BEV imports, by country of origin

(share of total)

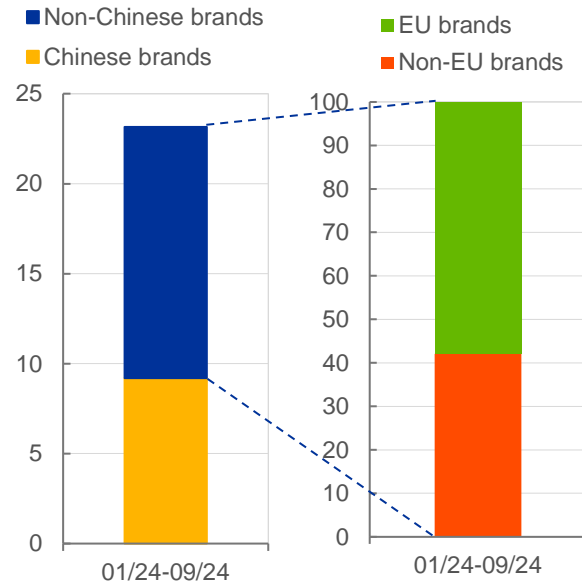


Source: TDM.

Note: Observations are an average from January 2024 to August 2024.

## China-produced battery electric vehicles exported into the EU

(left-hand side: share of total BEV sales in the EU; right-hand side: share of total sales by non-Chinese brands only)



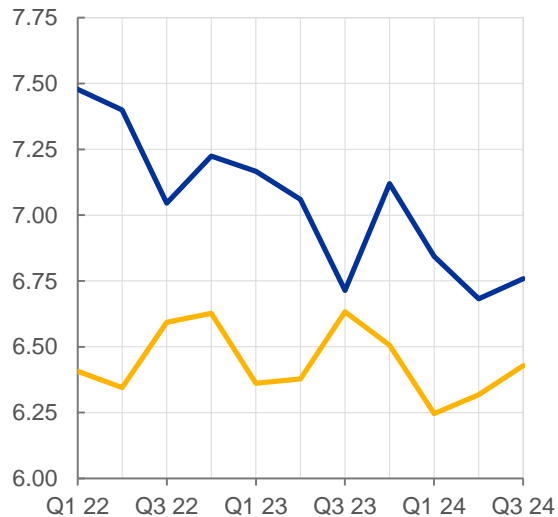
Sources: JATO Dynamics, Bloomberg.

Notes: BEV stands for battery electric vehicles. The chart shows sales data for battery electric vehicle models sold in a sample of EU countries. The brand data includes only those models which are exclusively produced in China. Information on whether a model is produced in China is based on 2023 annual reports and available plant-level production data from Bloomberg.

## Transitions into and out of employment

(millions)

— Into employment — Out of employment

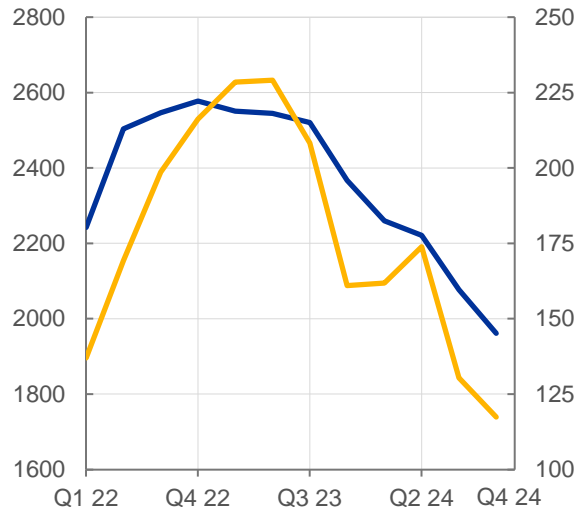


Sources: Eurostat and ECB staff calculations.  
Note: The latest observations are for the third quarter of 2024.

## Indeed job postings

(thousands)

— Indeed job postings (total)  
— New job postings (right-hand side)

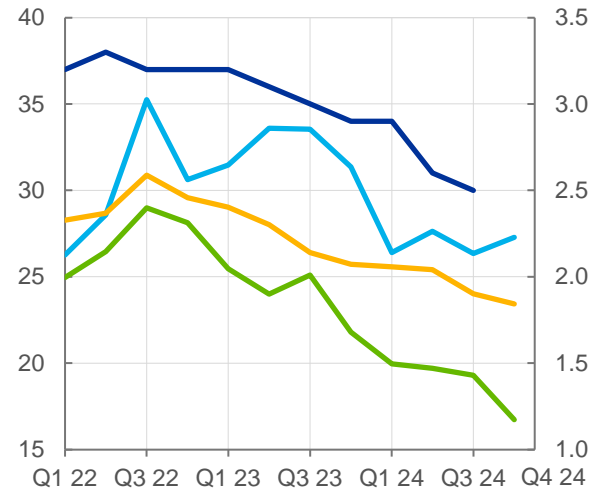


Source: Eurostat.  
Notes: New job postings represent a two-quarter moving average and refer specifically to job postings that include wage information. For reference, see: Adrjan, Pawel and Lydon, Reamonn (2023) "What do wages in online job postings tell us about wage growth?", available at SSRN. The latest observations are for November 2024.

## Labour shortages

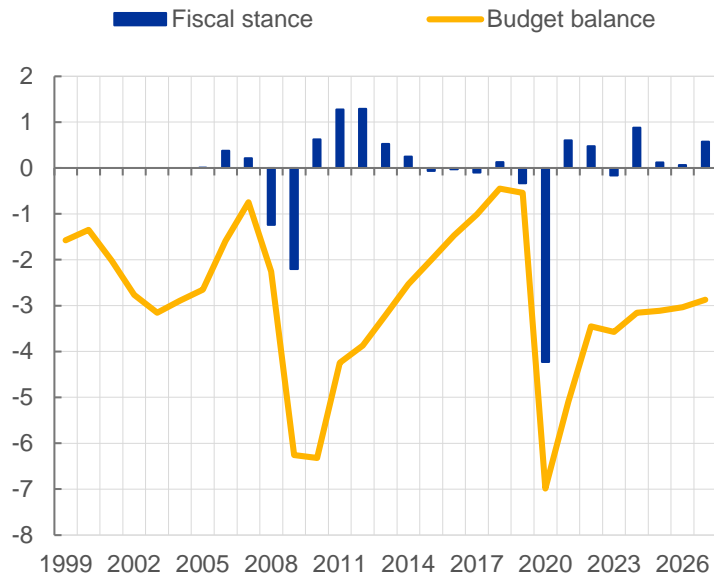
(left-hand side: percentage of firms; right-hand side: percentage of job posts)

— Labour shortages - Manufacturing  
— Labour shortages - Services  
— Labour shortages - Construction  
— Job vacancy rate (right-hand side)



Sources: Eurostat, DG-ECFIN and ECB calculations.  
Note: The latest observations are for Q3 2024 for the job vacancy rate and Q4 2024 for labour shortages.

## Budget balance and fiscal stance (percent of GDP, percentage points of potential GDP)



Source: December 2024 BMPE.

Notes: The fiscal stance is calculated as the change in the cyclically adjusted primary balance net of the assistance to the financial sector and the NGEU grants on the revenue side (in percentage points of potential GDP). Calculations for the fiscal stance harmonised in the current definition available only as of 2004 for the euro area aggregate comprising all 20 current Member States.

## Overview of fiscal projections (percentage of GDP and percentage points)

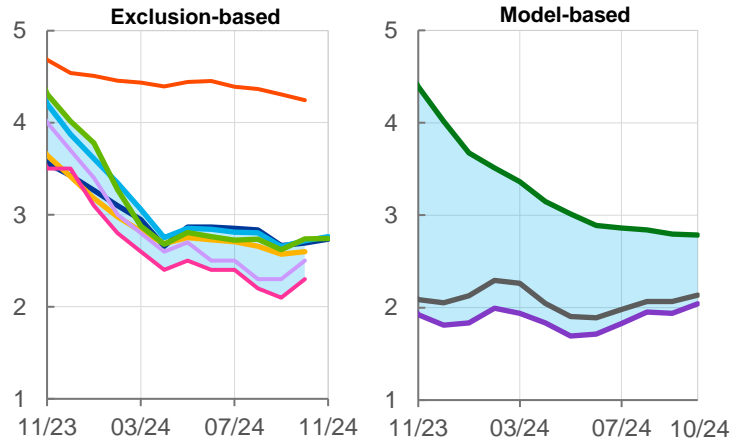
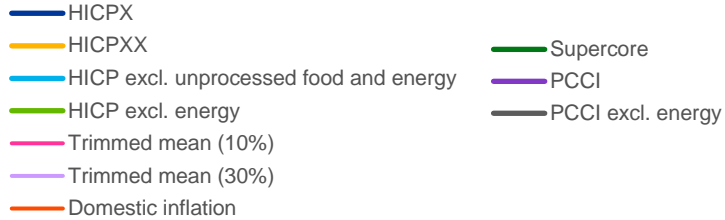
	December 2024 (percentage of GDP)						Revisions since September 2024 (percentage points)			
	2019	2023	2024	2025	2026	2027	2023	2024	2025	2026
<b>Budget balance</b>	<b>-0.5</b>	<b>-3.6</b>	<b>-3.2</b>	<b>-3.1</b>	<b>-3.0</b>	<b>-2.9</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
Total revenues	46.5	45.9	46.5	46.7	46.6	46.3	-0.5	-0.1	0.1	0.0
Total expenditures	47.0	49.5	49.6	49.8	49.7	49.1	-0.4	-0.2	0.0	0.0
Interest expenditure	1.6	1.7	1.9	2.0	2.1	2.2	0.0	0.0	0.1	0.1
Primary balance	1.1	-1.8	-1.3	-1.1	-0.9	-0.7	0.0	0.2	0.2	0.1
<b>Gross debt</b>	<b>83.7</b>	<b>87.4</b>	<b>87.8</b>	<b>88.3</b>	<b>88.7</b>	<b>88.6</b>	<b>-0.8</b>	<b>-0.7</b>	<b>-1.0</b>	<b>-1.1</b>
Interest rate-growth differential	-1.1	-3.6	-1.2	-1.0	-1.0	-0.8	0.1	0.4	0.2	0.0
Deficit-debt adjustment	0.3	-0.4	0.2	0.4	0.4	0.0	0.0	-0.1	-0.3	-0.1
<b>Fiscal stance (adj. for NGEU)</b>	<b>-0.3</b>	<b>-0.2</b>	<b>0.9</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>	<b>-0.2</b>	<b>0.3</b>	<b>0.0</b>	<b>-0.2</b>

Source: December 2024 BMPE.

# Underlying inflation and inflation momentum

## Measures of underlying inflation

(annual percentage changes)

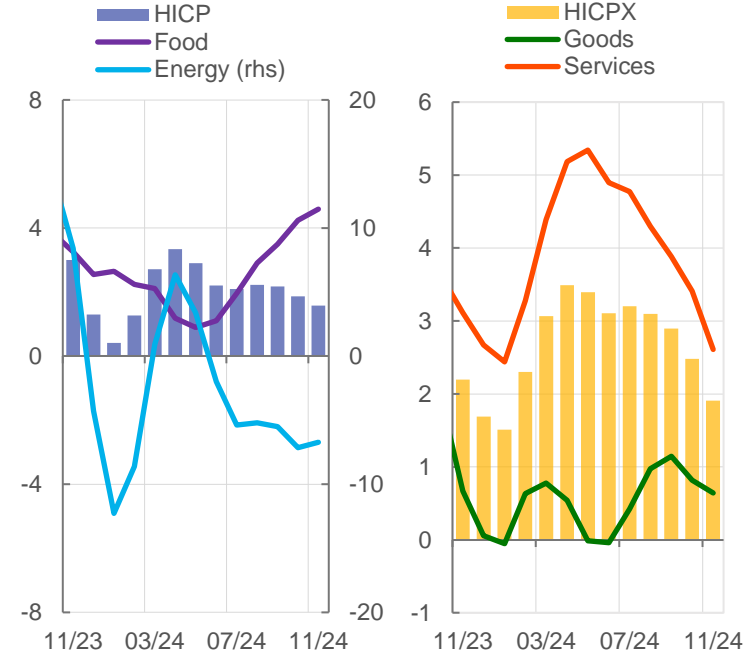


Sources: Eurostat and ECB calculations.

Note: The latest observations are for November 2024 (flash estimate) for HICPX, HICP excluding energy and HICP excluding unprocessed food and energy and October 2024 for the rest.

## Momentum of inflation and its subcomponents

(annualised three month-on-three month percentage changes)



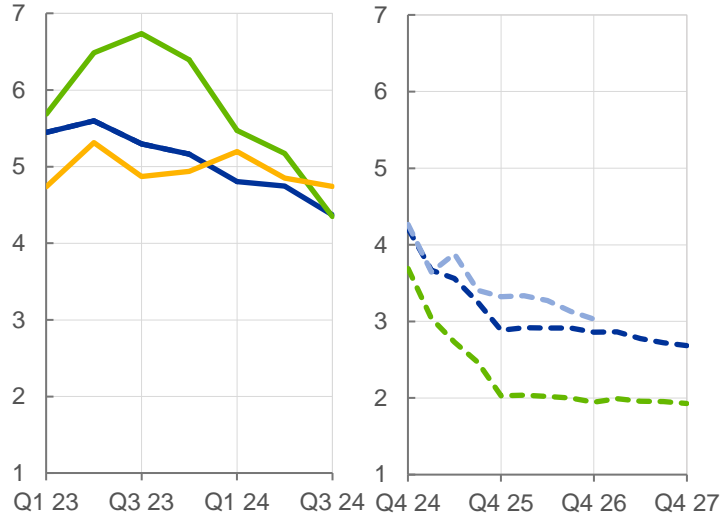
Sources: Eurostat and ECB calculations.

Notes: Calculated using seasonally adjusted data. The latest observations are for November 2024 (flash estimate).

## Labour cost indicators in the euro area and their forecasts

(annual percentage changes)

- Compensation per employee (September 2024 MPE)
- Compensation per employee (and December 2024 BMPE)
- Unit labour costs (and December 2024 BMPE)
- Compensation per hour



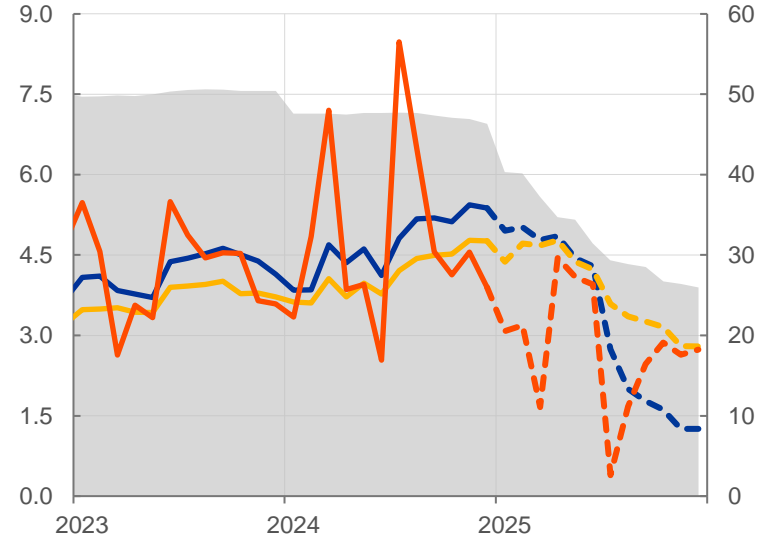
Sources: Eurostat, ECB, September and December 2024 Eurosystem staff projections and ECB calculations.

Note: The latest observations are for Q3 2024.

## ECB wage tracker

(annual percentage changes)

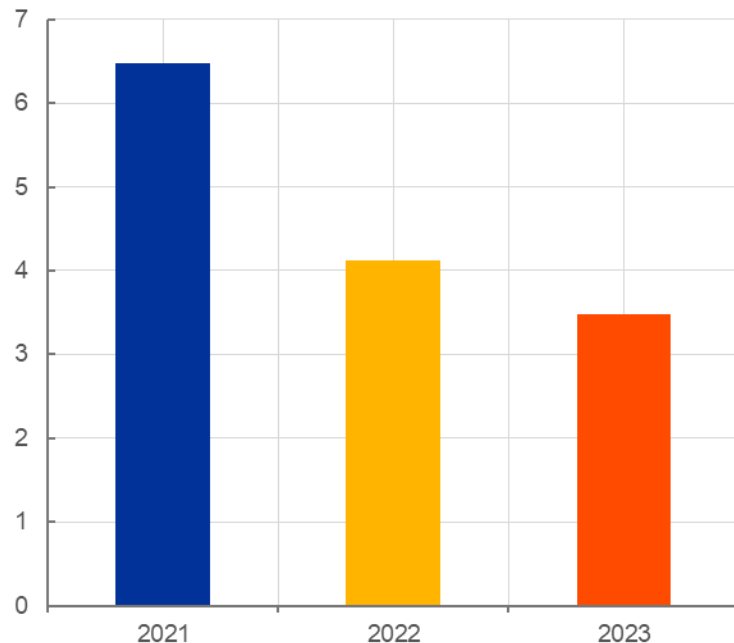
- Share of employees covered (right-hand side)
- ECB wage tracker
- ECB wage tracker excluding one-off payments
- ECB wage tracker including unsmoothed one-off payments



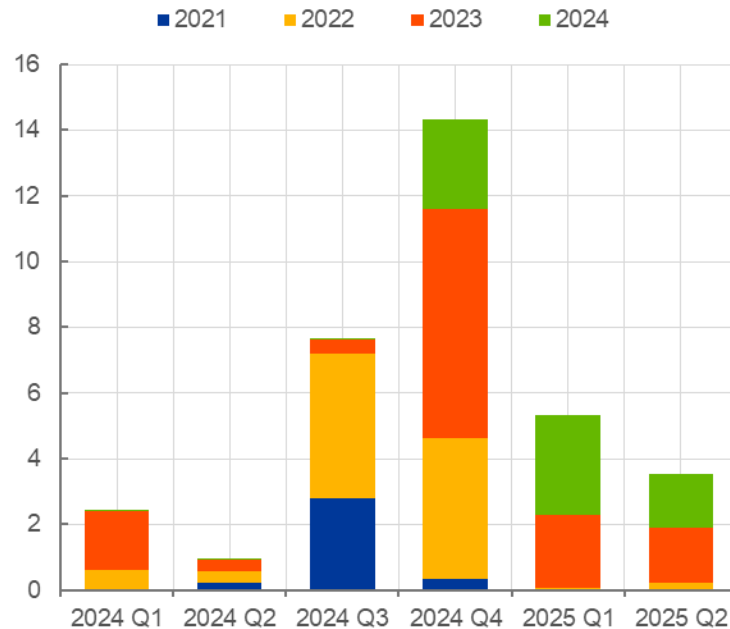
Sources: Wage tracker calculated based on micro data on wage agreements provided by Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Österreichische Nationalbank, Bank of Greece, Banca d'Italia, and Banque de France.

Notes: The euro area aggregate for the wage tracker is based on data for Germany, France, Italy, Spain, the Netherlands, Austria, and Greece. The latest observations are for December 2025.

## 12-months-ahead growth for contracts signed in 2024 by preceding signing year (annual percentage changes)



## Workers covered in expiring agreements by signing year (millions of workers)

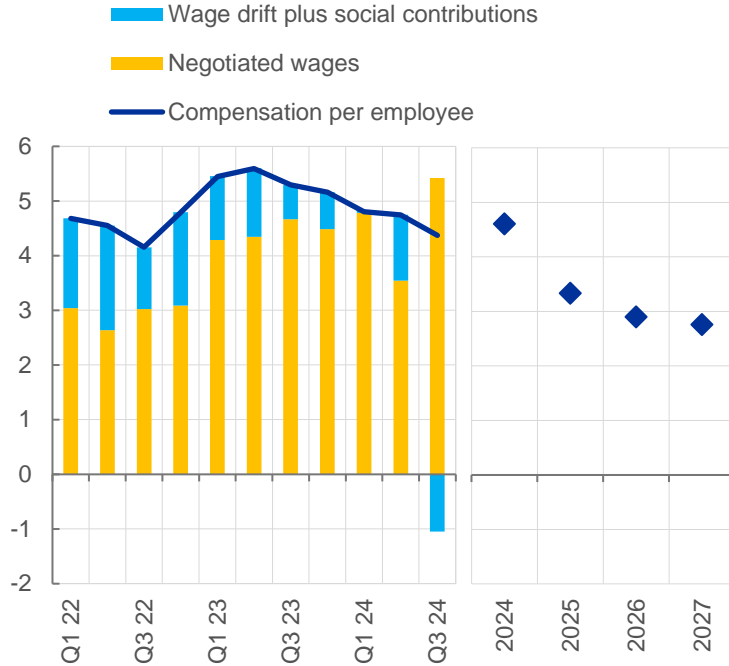


Sources: Wage tracker calculated based on micro data on wage agreements provided by Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Österreichische Nationalbank, Bank of Greece, Banca d'Italia, and Banque de France.  
Note: 12-month-ahead wage growth excluding one-off payments for agreements signed in 2024.

Sources: Wage tracker calculated based on micro data on wage agreements provided by Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Österreichische Nationalbank, Bank of Greece, Banca d'Italia, and Banque de France.  
Note: The x-axis represents the quarter when contracts are due to expire, colours refer to when these agreements were signed.

## Decomposition of compensation per employee growth

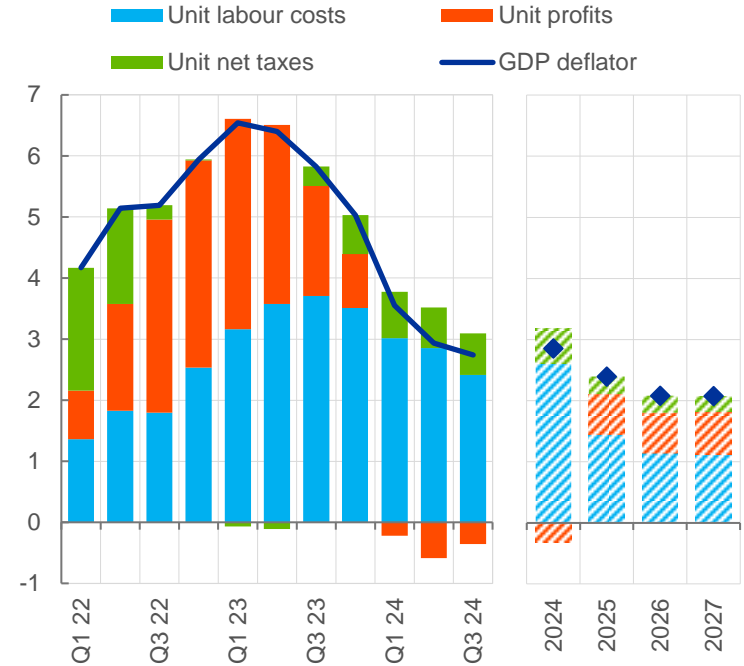
(annual percentage changes and percentage point contributions)



Sources: Eurostat, December Eurosystem staff projections and ECB calculations.  
Notes: The diamonds are projections based on the December 2024 BMPE. The latest observations are for Q3 2024.

## GDP deflator

(annual percentage changes and percentage point contributions)



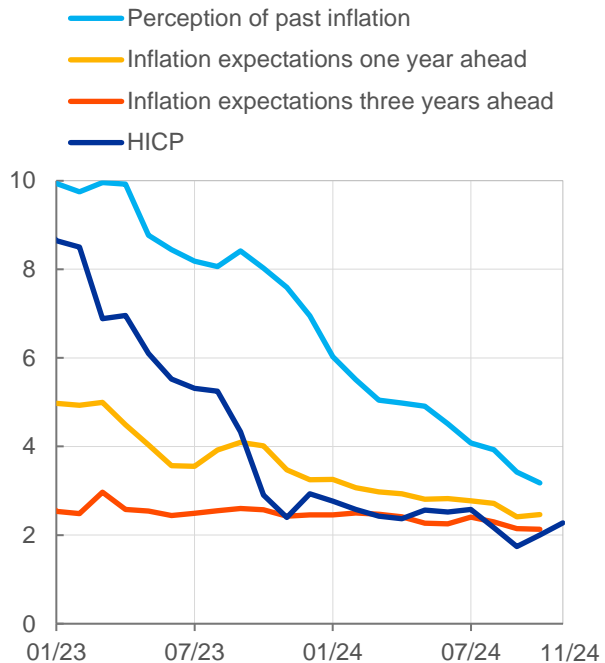
Sources: Eurostat, December Eurosystem staff projections and ECB calculations.  
Notes: Unit net taxes reflect taxes minus subsidies. When the contribution of subsidies on products is larger than the contribution of indirect taxes, the unit net tax contribution turns negative. The latest observations are for Q3 2024.



# Inflation expectations

## ECB consumer expectations survey

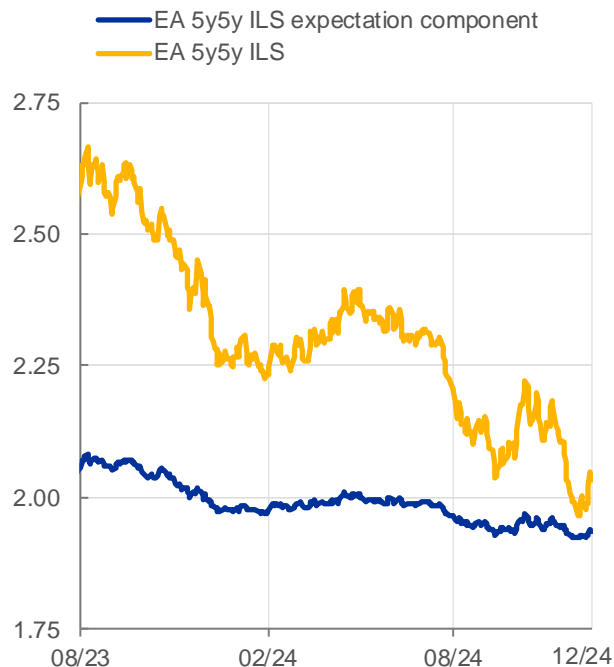
(annual percentage changes)



Sources: Eurostat and ECB Consumer Expectations Survey (CES).  
Notes: The series refer to the median value for CES. The latest observations are for November 2024 (flash estimate) for HICP and October 2024 for the rest.

## Euro area inflation-linked swap rates

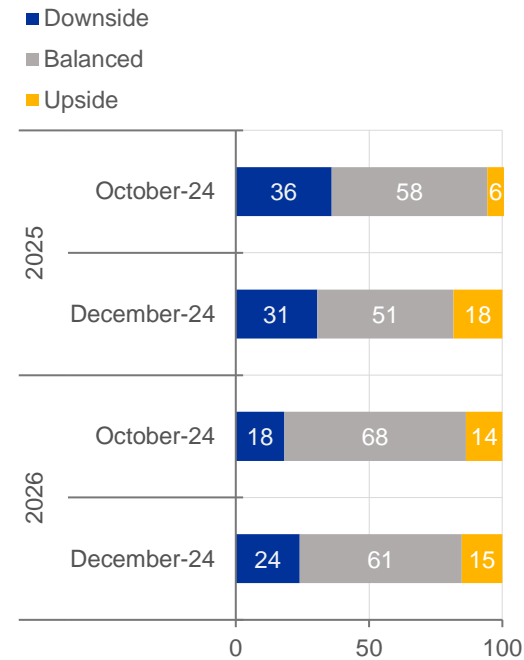
(percentages per annum)



Sources: LSEG, Bloomberg and ECB calculations.  
Notes: 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). The latest observations are for 16 December 2024.

## Balance of risks for inflation from Survey of Monetary Analysts

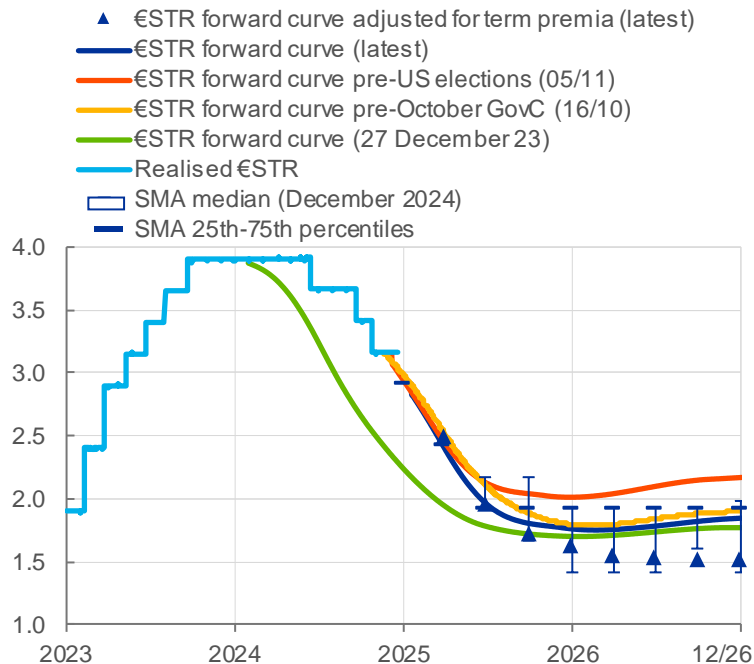
(percentage per annum)



Source: ECB Survey of Monetary Analysts (SMA).  
Notes: Percentages may not add up to 100 due to rounding. The latest observations are for December 2024.

# Near-term rate expectations and the real yield curve

## €STR forward curve and survey expectations of the deposit facility rate (percentages per annum)

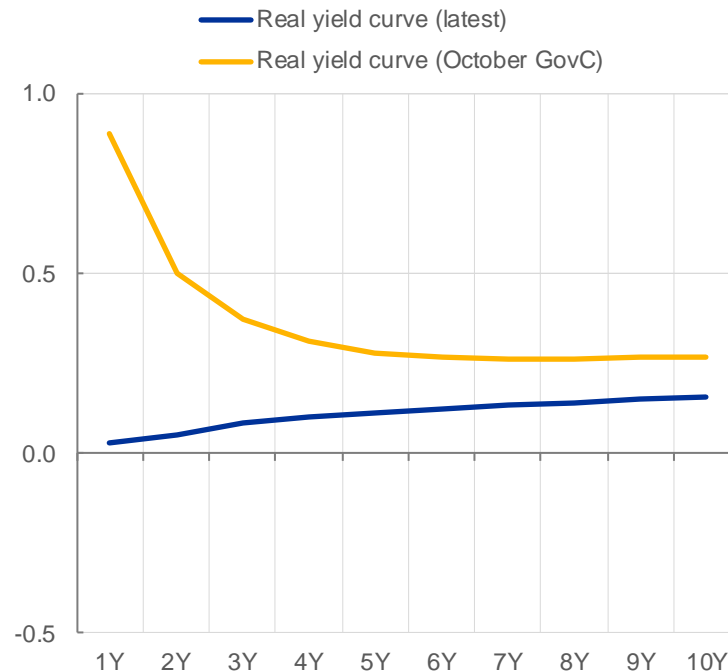


Sources: LSEG, Bloomberg, SMA, and ECB calculations.

Notes: The DFR expectations from SMA are adjusted for the current €STR vs. DFR spread. Estimates are based on two affine term structure models, with and without survey information on 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 rate expectations. The latest observations are for 16 December 2024.

## Real yield curves

(percentages per annum)

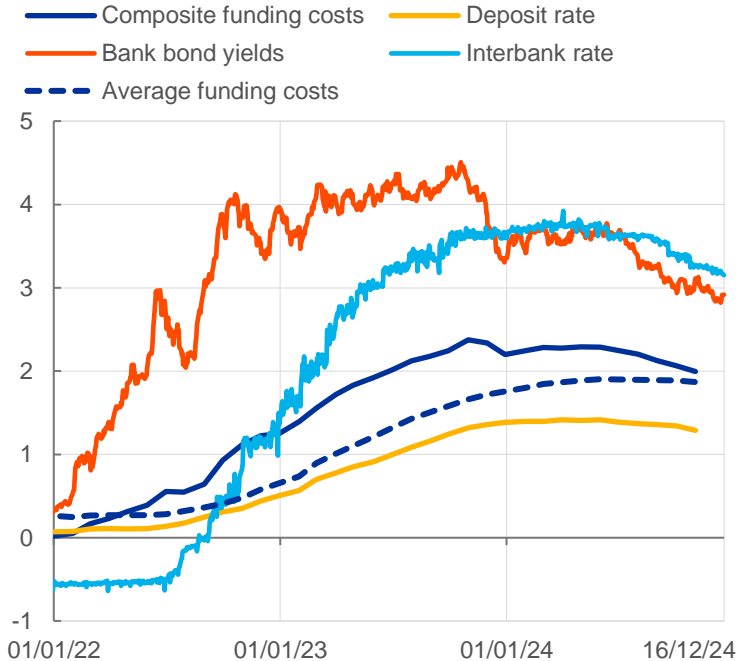


Sources: Bloomberg, LSEG and ECB calculations.

Notes: The real rate is calculated by subtracting the inflation-linked swap rate from the nominal OIS rate. The latest observations are for 16 December 2024.

## Bank funding costs

(percentages per annum)

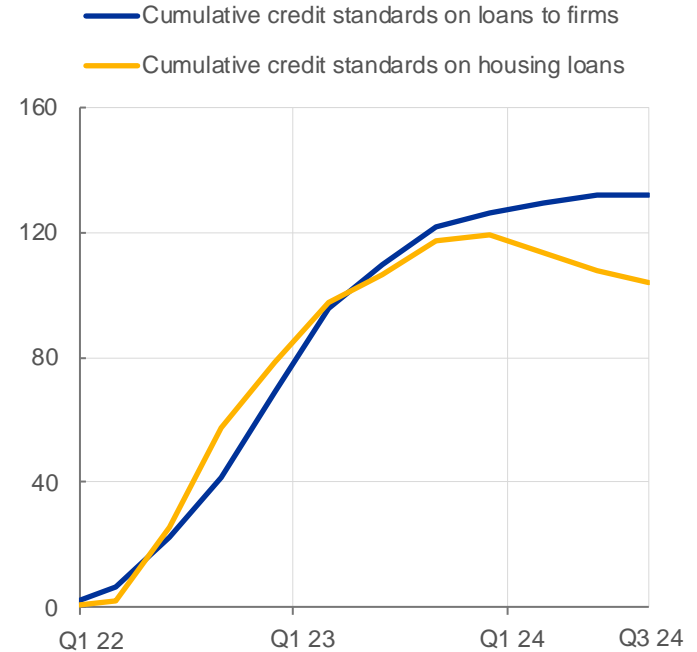


Sources: ECB (BSI, MIR, CSDB, MMSR), IHS Markit iBoxx and ECB calculations.

Notes: Marginal funding costs are weighted average of new business costs for overnight deposits, deposits redeemable at notice, time deposits, bonds, and interbank borrowing, weighted by outstanding amounts. Average funding costs use the same weights but are based on rate on outstanding deposits and interbank funding and yield to maturity at issuance for bonds. The latest observations are for October 2024 for monthly data and 16 December 2024 for daily data.

## Cumulated change in credit standards for firms and households

(net percentages)



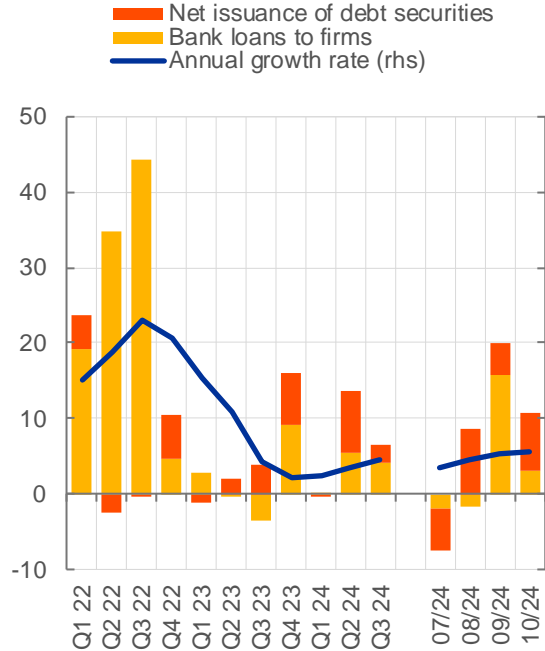
Sources: ECB (BLS) and ECB calculations.

Notes: Net percentages for credit standards are defined as the difference between the sum of the percentages of banks responding “tightened considerably” and “tightened somewhat” and the sum of the percentages of banks responding “eased somewhat” and “eased considerably”. Cumulation starts in the first quarter of 2022. The latest observations are for Q3 2024.

# Credit to firms, lending rates and use of loans by innovative firms

## Firm debt financing

(average monthly flows in EUR bn)

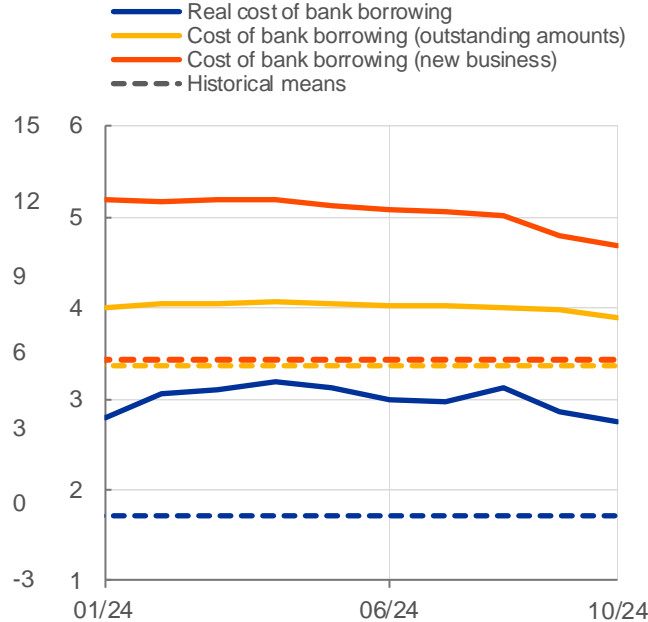


Sources: ECB (BSI, CSEC) and ECB calculations.

Notes: The seasonal adjustment for the net issuance of debt securities is not official. Bank loans are adjusted for sales, securitisation and cash pooling. The latest observations are for October 2024.

## Firm cost of borrowing

(percentages per annum)

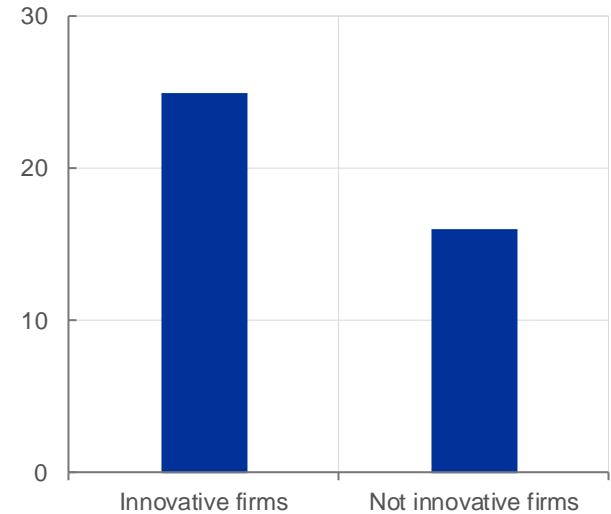


Sources: ECB (MIR), ECB projections database, Consensus Economics and ECB calculations.

Notes: Real lending rates are constructed using the Consensus 1 year ahead inflation expectations. Dashed lines are historical means. The latest observations are for October 2024.

## Share of firms borrowing from banks

(percentages)

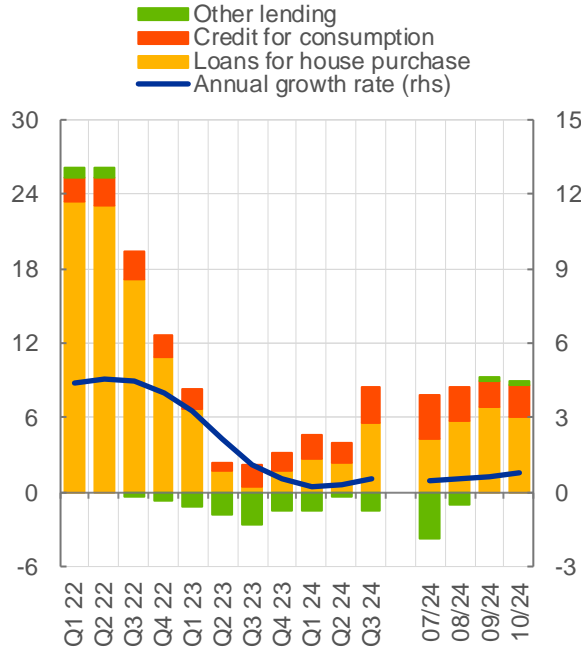


Sources: ECB (SAFE) and ECB calculations.

Notes: Innovative firms are firms who respond to SAFE that they introduced a new product or service in the market in the last 12 months (annual question). The chart shows the percentage of firms who reported they have used bank loans over the last 6 months. The latest observations are for Q3 2024.

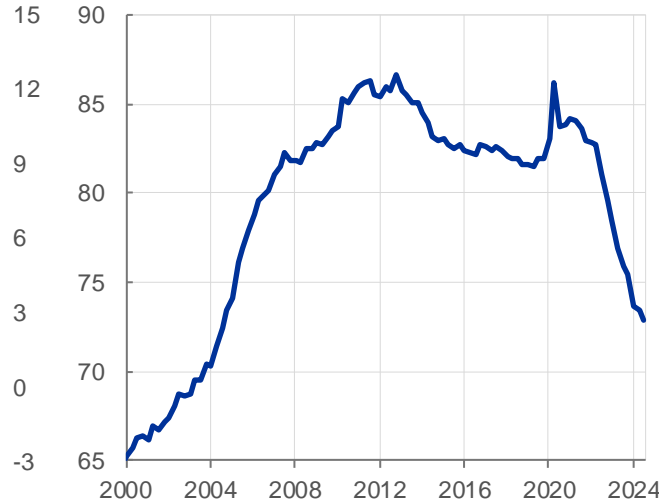
# Credit to households, outlook, and mortgage affordability

## Bank loans to households (average monthly flows in EUR bn)



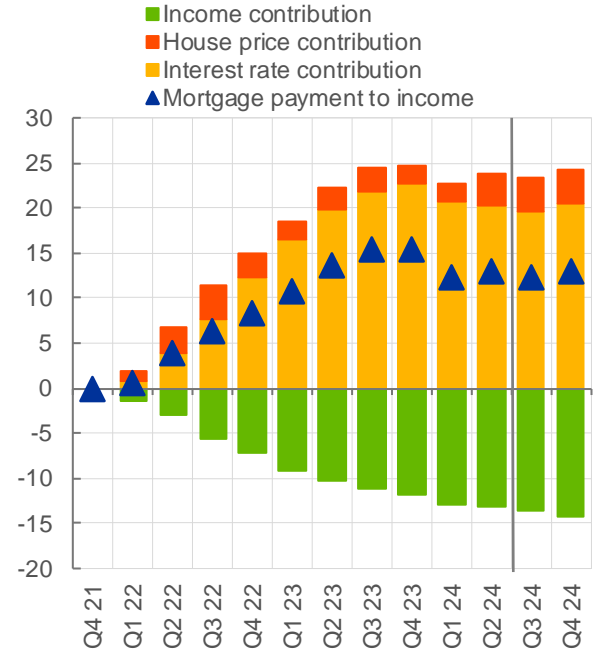
Sources: ECB (BSI) and ECB calculations.  
Notes: Bank loans are adjusted for sales, securitisation and cash pooling. The latest observations are for October 2024.

## Bank lending to households over gross disposable income (percentage of gross personal disposable income)



Source: ECB (BSI, ECB projections, QSA).  
Notes: Loans to households are adjusted for sales and securitisation. The latest observations are for Q2 2024. Q3 is a nowcast.

## Change in debt service ratio for typical newly-granted mortgages (percentage points)



Sources: ECB (MIR, QSA, RESR), ECB projections and ECB calculations.  
Note: The latest observations are for Q2 2024, and the projections go until Q4 2024.