



EUROPEAN CENTRAL BANK

EUROSYSTEM

# The transmission of monetary policy

ECB Conference on Monetary Policy  
2024: bridging science and practice  
Frankfurt

7 October 2024

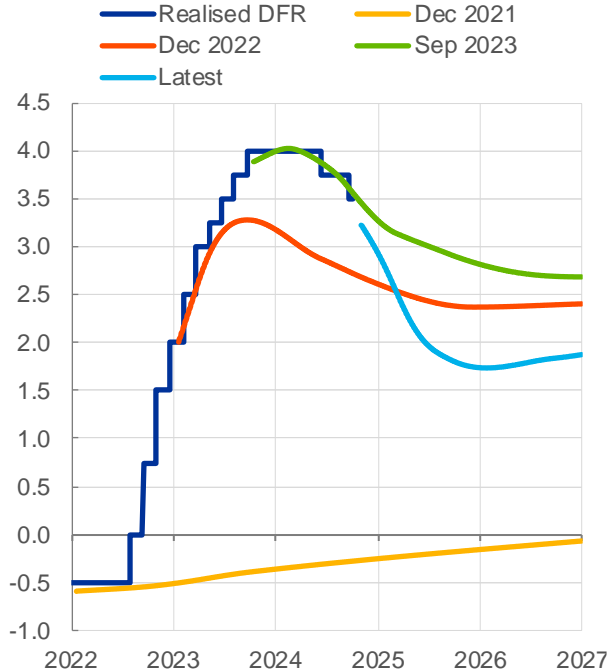


**Philip R. Lane**  
Member of the Executive Board

- Financial transmission
- Economic transmission
- Inflation expectations
- Sectoral shocks
- Sectoral balance sheets
- Conclusions

## Policy rate path and risk-free curve

(percentages per annum)



Sources: Bloomberg and ECB calculations.  
 Notes: The cut-off dates for the data used for the €STR forward curves are 17 December 2021, 16 December 2022, 15 September 2023, and 3 October 2024.

## Slope of the risk-free yield curve

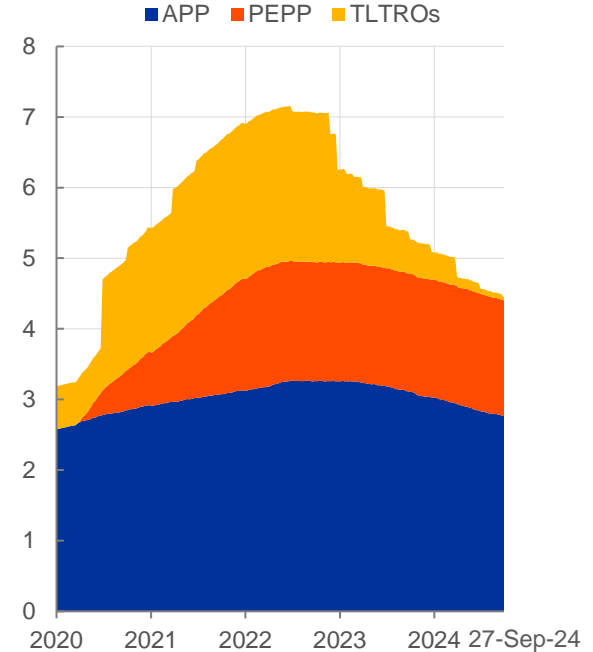
(percentage points)



Sources: Bloomberg and ECB calculations.  
 Notes: The slope of the risk-free yield curve is calculated as the difference between the 10y and the 2y OIS rates.  
 Latest observations: 3 October 2024.

## Evolution of Eurosystem balance sheet

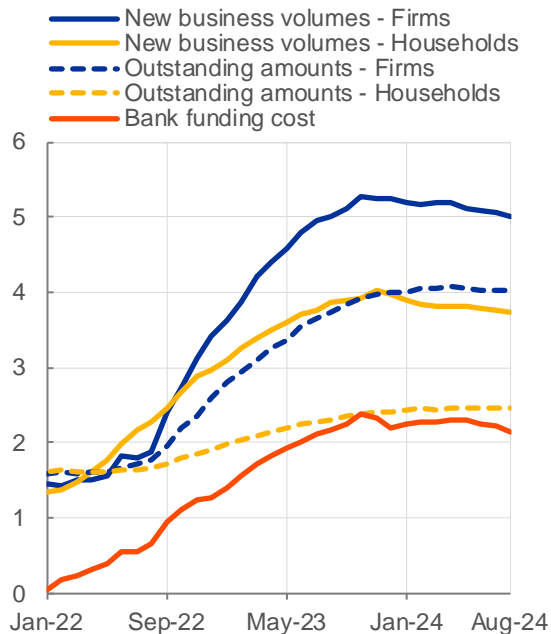
(trillion EUR)



Sources: ECB Calculations.  
 Notes: Purchase programmes are based on book value at amortised cost.  
 Latest observations: 27 September 2024.

## Bank lending rates to firms and households, plus bank funding costs

(percentages per annum)

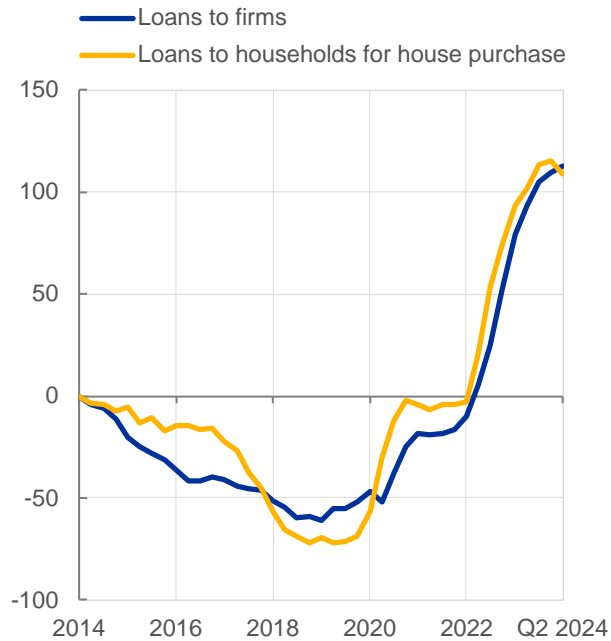


Sources: ECB (BSI, MIR, MMSR) and ECB calculations.

Notes: The indicator for the total cost of borrowing for firms and households are calculated by aggregating short-term and long-term rates using a 24-month moving average of new business volumes. The bank funding cost series is a weighted average of new business costs for overnight deposits, deposits redeemable at notice, time deposits, bonds, and interbank borrowing, weighted by outstanding amounts. The latest observations are for August 2024.

## Evolution of bank credit standards

(cumulated net percentages of banks reporting a tightening of credit standards)

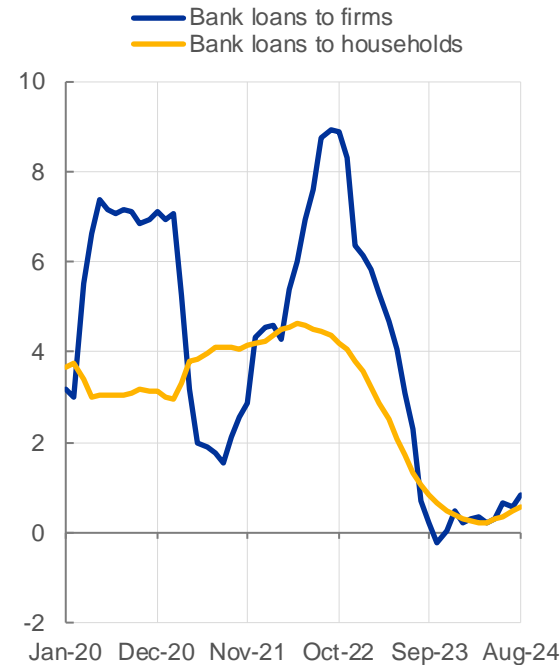


Sources: ECB (BLS) and ECB calculations.

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 2014.

## Credit volumes to firms and households

(annual percentage changes)

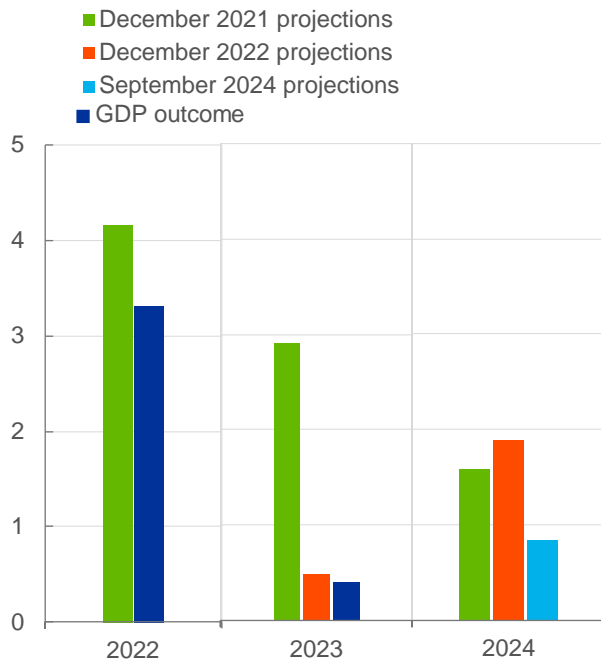


Source: ECB (BSI).

Notes: Bank loans to firms are adjusted for sales, securitisation and cash pooling. Bank loans to households are adjusted for sales and securitisation. The latest observations are for August 2024

## Real GDP and projections

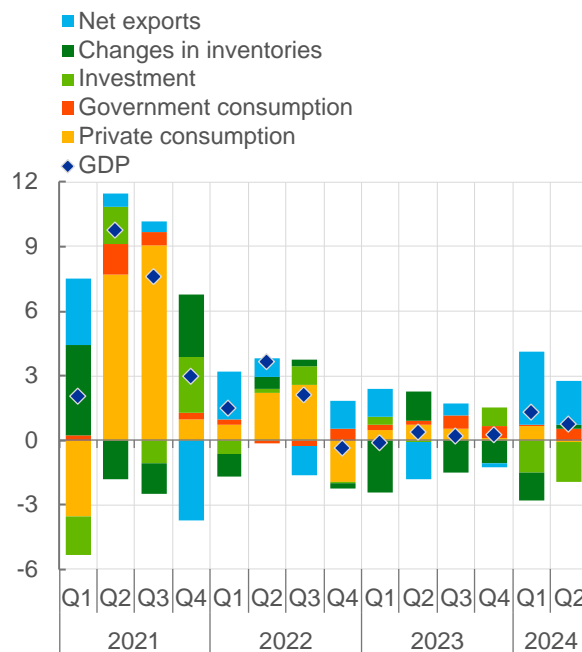
(annual growth rate)



Sources: Eurostat; September 2024 ECB staff projections, December 2022 and December 2021 Eurosystem staff projections; and ECB calculations.  
The latest observations are 2023 for GDP and 2024 for projections.

## GDP growth contributions

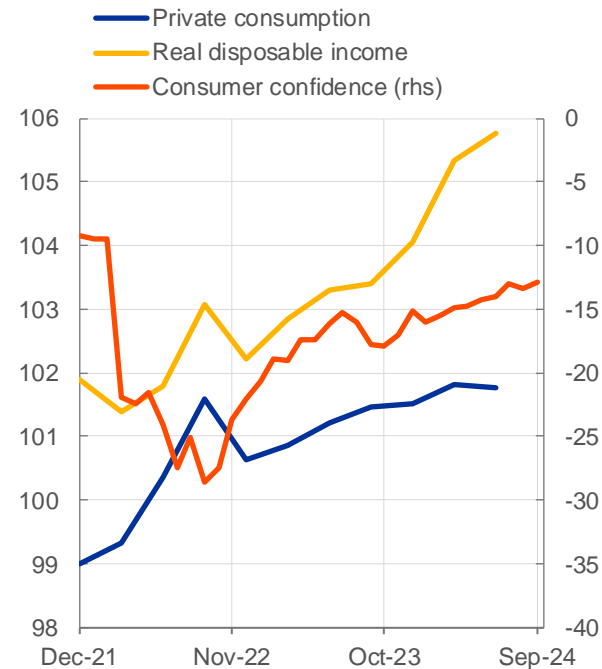
(annualised quarter-on-quarter percentage changes and percentage point contributions)



Sources: Eurostat and ECB calculations.  
Notes: Annualised contributions do not exactly sum to annualised quarter-on-quarter GDP growth rates due to transformations of the underlying data.  
The latest observation is for the second quarter of 2024.

## Private consumption, real disposable income and consumer confidence

(lhs: index Q4 2019 = 100; rhs: net percentage balance)



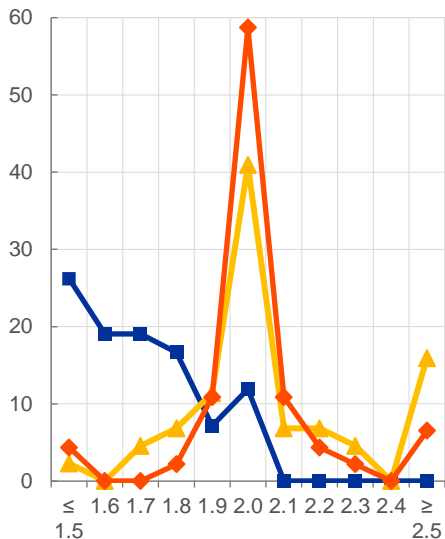
Sources: Eurostat and European Commission.  
The latest observations are for the second quarter of 2024 for private consumption and disposable income, and September 2024 for consumer confidence.

# Inflation expectations

## SPF: distribution of longer-term inflation expectations

(percentage of respondents)

- Q4 2019
- ▲ Q4 2022
- ◆ Q3 2024



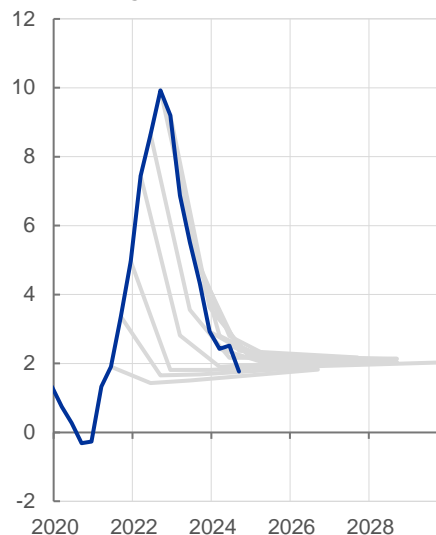
Sources: SPF and ECB calculations.

Notes: The vertical axis shows percentages of respondents, the horizontal axis shows the HICP inflation rate. Longer-term inflation expectations refer to four to five years ahead. The latest observations are for the third quarter of 2024.

## Term structure of inflation expectations from professional forecasters

(annual percentage changes)

- Term structure inflation expectations (Q3 2021 to Q3 2024)
- HICP



Sources: Eurostat, ECB SPF and ECB calculations.

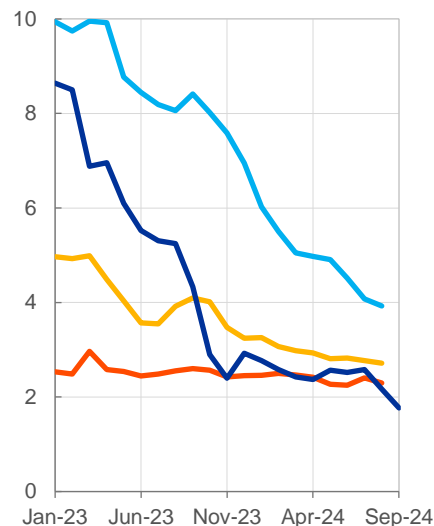
Notes: Term structure of inflation expectations show expectations for different horizons in past rounds of the SPF.

Latest observations: September 2024 (flash) for HICP.

## ECB consumer expectations survey

(annual percentage changes)

- Perception of past inflation
- Inflation expectations one year ahead
- Inflation expectations three years ahead
- HICP



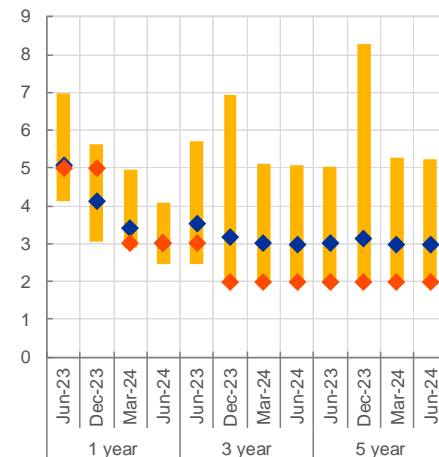
Sources: Eurostat and ECB Consumer Expectations Survey (CES).

Notes: The series refer to the median value for CES. Latest observations: September 2024 (flash) for HICP and August 2024 for the rest.

## Firms' expectations about euro area inflation at different horizons

(percentages per annum)

- Interquartile range
- ◆ Median
- ◆ Mode

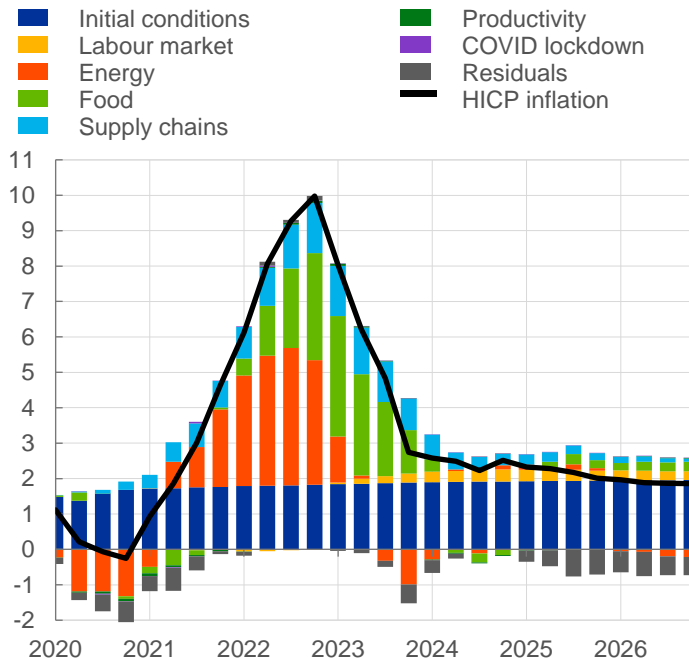


Sources: Survey on the Access to Finance of Enterprises (SAFE) and ECB calculations.

Notes: Survey-weighted median, mode and interquartile ranges of firms' expectations about euro area inflation in one year, three years and five years, respectively. All enterprises. Latest observation: June 2024.

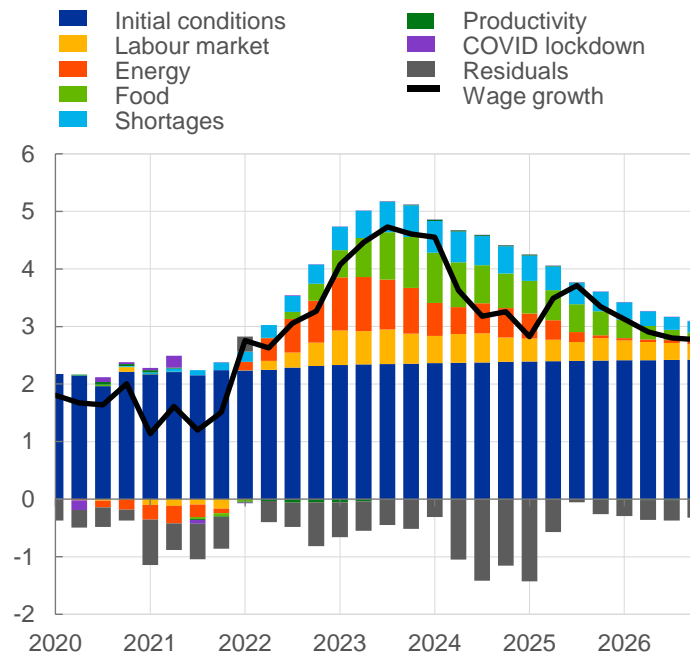
## HICP inflation

(year-on-year growth rate, pp contributions)



## Negotiated wage growth

(year-on-year growth rate, pp contributions)

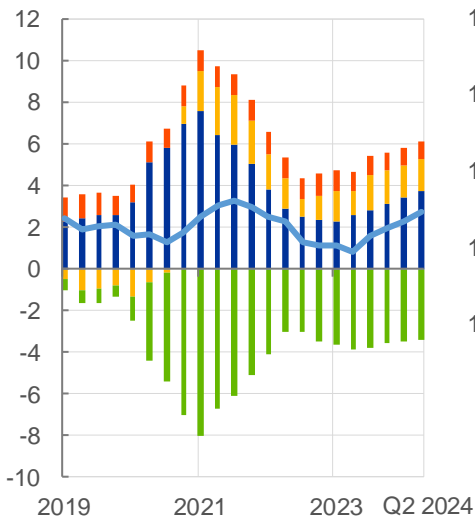


Source: ECB calculations based on Arce, O., Ciccarelli, M., Kornprobst, A. and Montes-Galdón, C. (2024), “[What caused the euro area post-pandemic inflation?](#)”, Occasional Paper Series, No 343, ECB  
 Notes: The figures show decompositions of the sources of seasonally adjusted HICP inflation and negotiated wage growth based on the solution of the full model and the implied impulse response functions. Historical data up to 2024Q2 (except for productivity growth, which is now up to 2024Q1) is extended by a model-based projection from 2024Q3 onwards based on underlying assumptions from the ECB staff September 2024 baseline projections. Assumptions correspond to energy and food price inflation and productivity growth. Labour market tightness is projected based on unemployment rate projection. The “shortages” (measured by the Global Supply Chain Pressure Index) are available up to Q2 2024 and projected according to a random walk thereafter. The historical decomposition treats the projection as data and is carried out from Q1 2020 onwards to compute the contributions of the initial conditions and of the exogenous variables.

## Euro area net lending / net borrowing

(as a percentage of nominal GDP – four quarter sums)

- General government
- Financial corporations
- Non-financial corporations
- Households
- Euro area



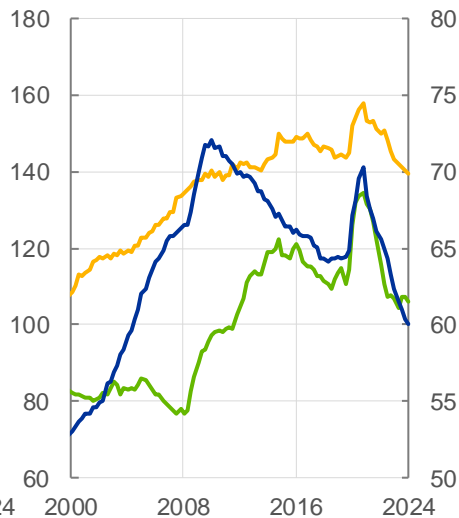
Sources: Eurostat and ECB.

Notes: The latest observations are for the second quarter of 2024.

## Sectoral leverage

(as a percentage of nominal GDP)

- Government
- Non-financial corporations
- Households (rhs)



Sources: Eurostat, ECB and ECB calculations.

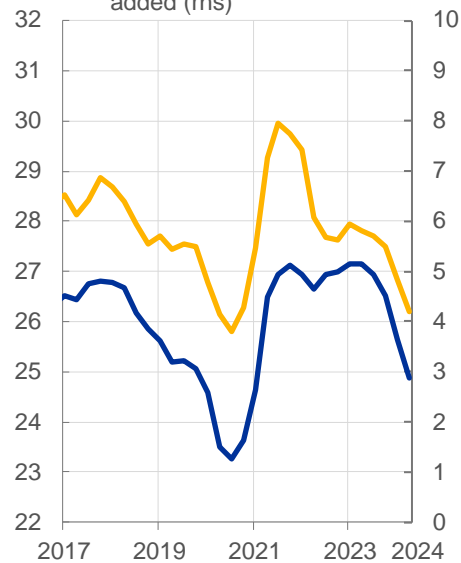
Notes: Leverage is defined as total non-equity liabilities divided by the four-quarter sum of nominal GDP.

The latest observations are for the second quarter of 2024.

## NFC margins and savings ratio

(percentages – four-quarter moving averages)

- Net operating surplus to value added
- Net retained earnings to value added (rhs)



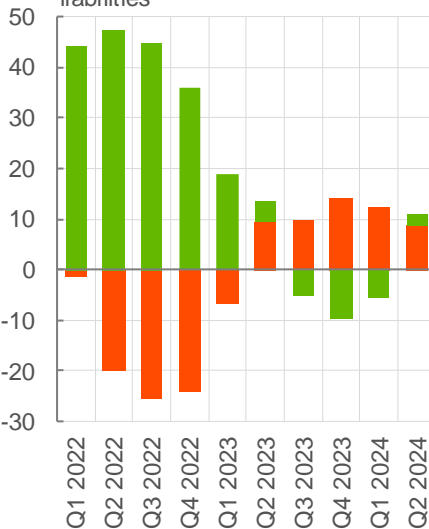
Sources: ECB and ECB calculations.

Notes: The latest observations are for the second quarter of 2024.

## Net worth of households (excluding savings)

(annual change as a percentage of nominal disposable income)

- Change due to holding gains and losses on non-financial assets
- Change due to holding gains and losses on financial assets and liabilities

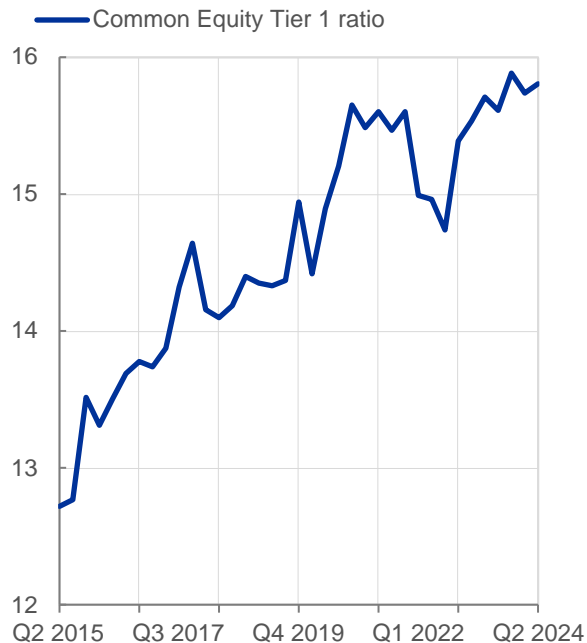


Sources: Eurostat, ECB and ECB calculations.

Notes: Changes are mainly owing to movements in real estate and share prices. The latest observations are for the second quarter of 2024.



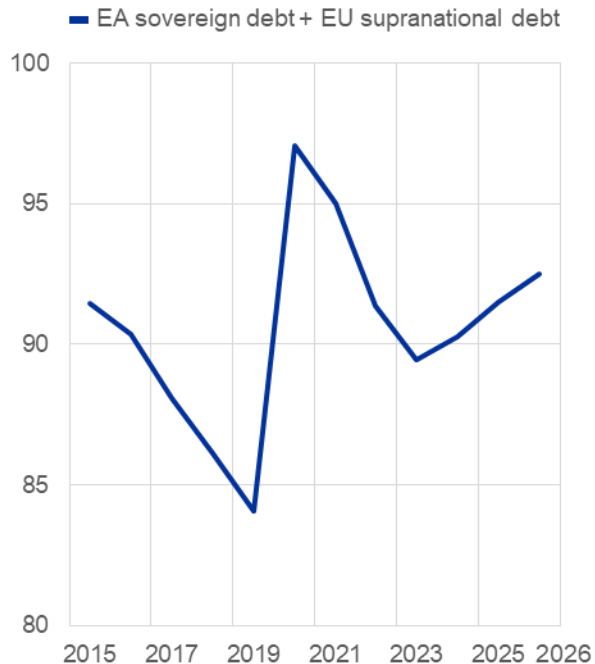
## Capital ratio of the banking system (percentages)



Source: ECB Supervisory Reporting.

Notes: The sample consists of significant institutions under the supervision of the ECB (changing composition). The latest observations are for the second quarter of 2024.

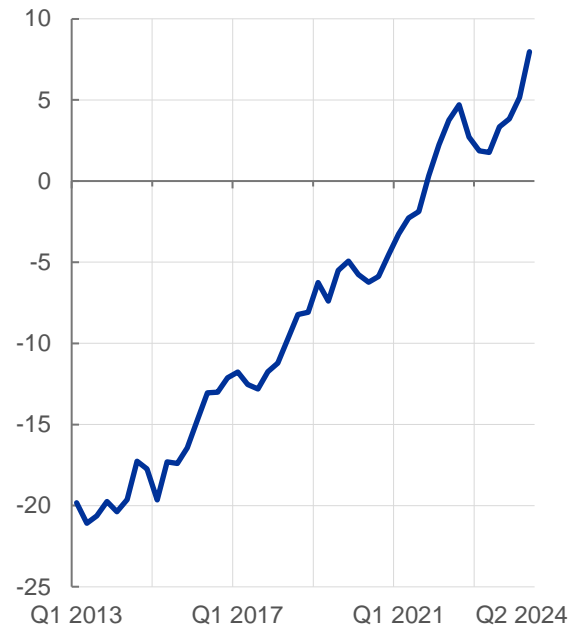
## Gross debt (percentage of Euro Area GDP)



Source: September 2024 ECB staff projections.

Notes: Supranational EU debt (not reflected in the Euro area aggregate) is the gross outstanding debt of the EU institutions, including NGEU financing. Supranational EU debt is not an official statistic, but an internal estimate.

## Euro area net international investment position (percentage of GDP)



Sources: ECB (BoP) and Eurostat (National Accounts).

Latest observation: Q2 2024.