



EUROPEAN CENTRAL BANK

EUROSYSTEM

## Background slides

---

The ECB and Its Watchers XXV,  
Frankfurt am Main

12 March 2025



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

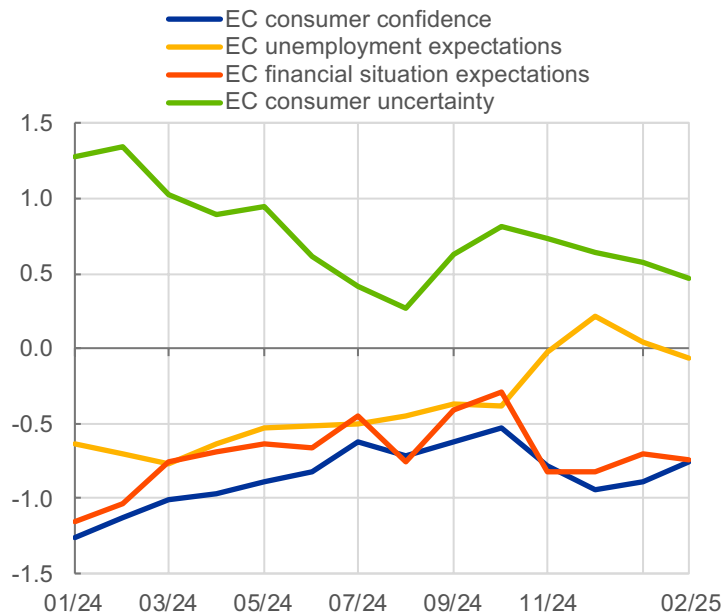
## March 2025 staff projections: key macroeconomic variables

	March 2025 projections (annual percentage change)				vs December 2024 projections (percentage points)			
	2024	2025	2026	2027	2024	2025	2026	2027
HICP	2.4	2.3	1.9	2.0	0.0	0.2	0.0	-0.1
HICP excl. energy and food	2.8	2.2	2.0	1.9	-0.1	-0.1	0.1	0.0
Compensation per employee	4.6	3.4	2.8	2.6	0.0	0.1	-0.1	-0.2
Unit labour costs	4.7	3.0	2.0	1.7	0.0	0.4	0.0	-0.3
Real GDP	0.8	0.9	1.2	1.3	0.1	-0.2	-0.2	0.0
Private consumption	1.0	1.4	1.2	1.2	0.1	0.1	-0.1	0.0
Government consumption	2.5	1.2	1.1	1.0	0.2	0.0	-0.1	0.0
Total investment	-1.8	1.2	1.7	1.4	-0.1	0.0	-0.5	-0.2
Exports contribution to GDP	0.9	0.8	2.3	2.7	-0.1	-0.8	-0.7	-0.3
Unemployment rate (% of labour force)	6.4	6.3	6.3	6.2	0.0	-0.2	0.0	0.1
	March 2025 projections (Q4-on-Q4 percentage change)				vs December 2024 projections (percentage points)			
	Q4 2024	Q4 2025	Q4 2026	Q4 2027	Q4 2024	Q4 2025	Q4 2026	Q4 2027
HICP	2.2	2.3	1.8	2.0	-0.1	0.3	-0.1	-0.1
HICP excluding energy and food	2.7	2.1	1.9	1.9	-0.1	0.0	0.0	0.0
Compensation per employee	4.3	2.8	2.8	2.5	0.1	-0.1	-0.1	-0.2
Unit labour costs	4.1	2.1	1.9	1.6	0.4	0.1	0.0	-0.3
Real GDP	1.0	1.0	1.4	1.2	-0.1	-0.2	-0.1	0.0
Private consumption	1.4	1.2	1.2	1.2	0.2	0.0	-0.1	0.1
Government consumption	2.5	0.3	1.6	0.6	0.4	-0.3	0.0	0.0
Total investment	-2.0	0.8	2.0	0.9	-0.5	0.5	-0.5	-0.3
Exports contribution to GDP	0.5	3.0	2.0	3.0	-0.8	0.0	-0.9	0.1
Unemployment rate (% of labour force)	6.2	6.4	6.3	6.2	-0.2	0.0	0.1	0.2

Note: Revisions are calculated based on rounded figures.

## Consumer expectations indicators

(standardised percentage balances)

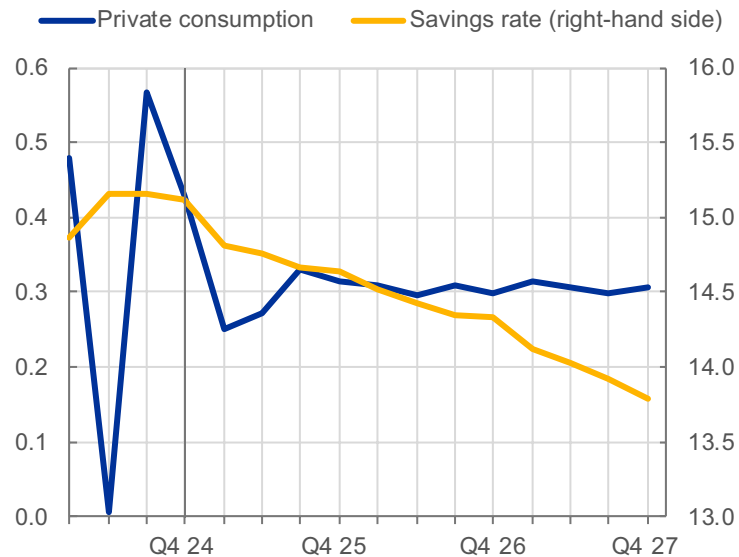


Sources: DG-ECFIN and ECB staff calculations.

Notes: EC stands for European Commission. Uncertainty is standardised for the period April 2019-February 2025 with respect to the average of Q4 2021, while all the other series are standardised for the period 1985-2019. Expectations for unemployment and the financial situation refer to the next 12 months. The latest observations are for February 2025.

## Private consumption and savings rate outlook

(left-hand side: quarter-on-quarter percentage changes; right-hand side: percentage of disposable income)



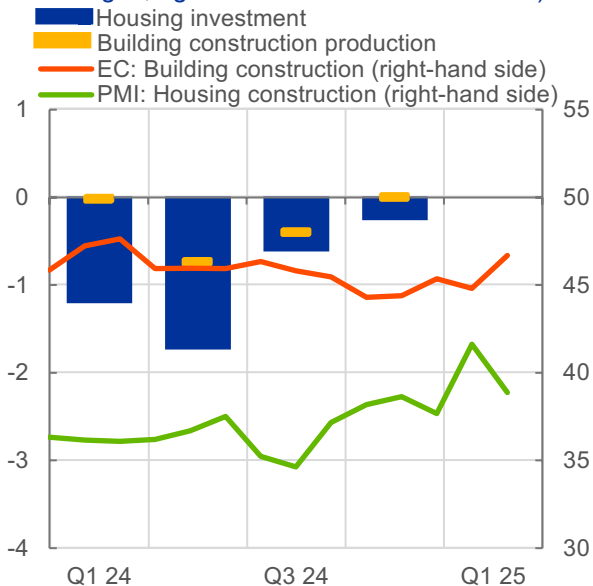
Sources: Eurostat, March 2025 projections and ECB staff calculations.

Notes: The grey vertical line indicates the latest observation for private consumption, which is for the fourth quarter of 2024. The latest observation for the savings ratio is for the third quarter of 2024.

# Housing investment and business investment

## Housing investment and short-term indicators

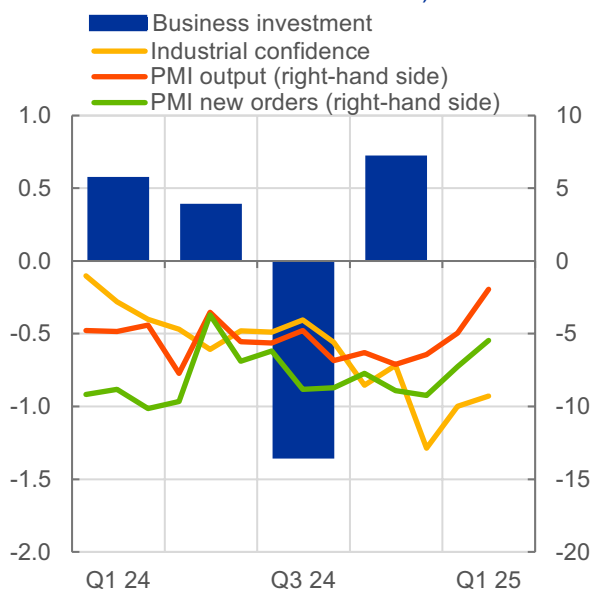
(left-hand side: quarter-on-quarter percentage changes; right-hand side: diffusion indices)



Sources: Eurostat, S&P Global, DG-ECFIN and ECB calculations. Notes: EC stands for European Commission. Building construction production and the EC indicator for building construction trend activity are calculated as a weighted average of the construction of buildings and specialised construction activities, which include the construction and preparation of parts of buildings and civil engineering works. The EC indicator is transformed to have the same mean and standard deviation as the PMI. The latest observations are for the fourth quarter of 2024 for housing investment, December 2024 for building construction production, and February 2025 for the EC indicator and PMI.

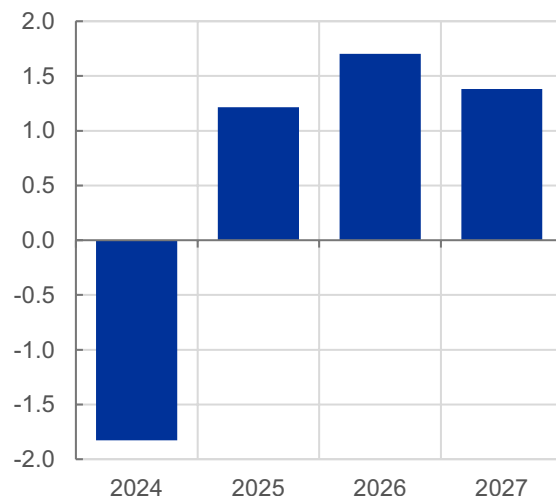
## Business investment and capital goods indicators

(left-hand side: standard deviations; right-hand side: deviation from 50)



Sources: Eurostat, S&P Global and DG-ECFIN. Notes: DG-ECFIN industrial confidence normalised for 1999-2019 mean and standard deviation. Business investment excludes Irish IPP. The latest observations are for the fourth quarter of 2024 for business investment for February 2025 for industrial confidence and PMIs.

## Total investment projections (annual percentage changes)

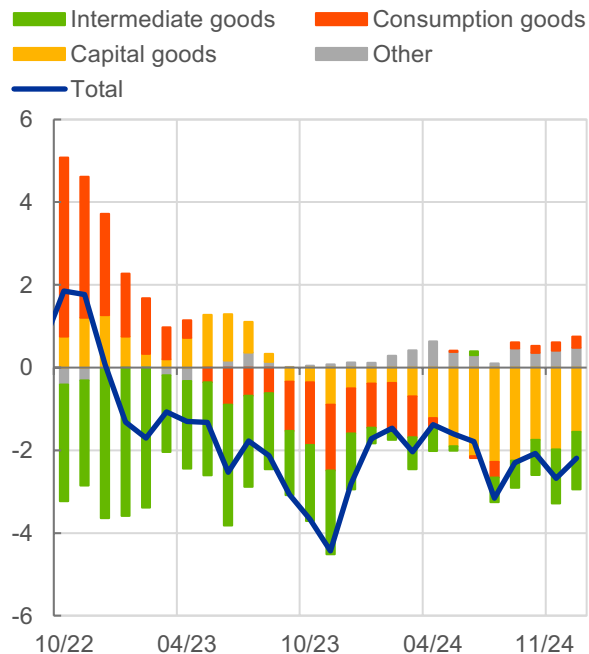


Source: March 2025 ECB staff macroeconomic projections for the euro area.

# Euro area exports

## Extra-euro area exports of goods

(year-on-year percentage changes)

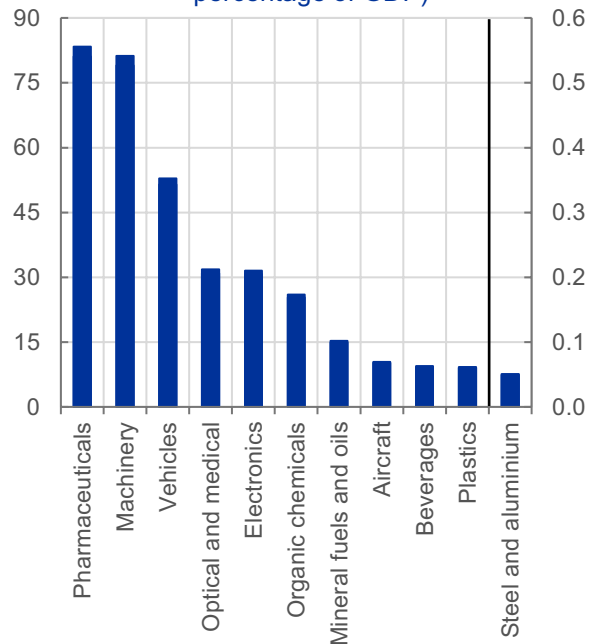


Sources: Eurostat (external trade) and ECB staff calculations.

Notes: The chart shows year-on-year percentage changes of three-month moving average exports by type of goods for the euro area. The latest observations are for November 2024.

## Exports to United States by sector

(left-hand scale: EUR billions; right-hand scale: percentage of GDP)

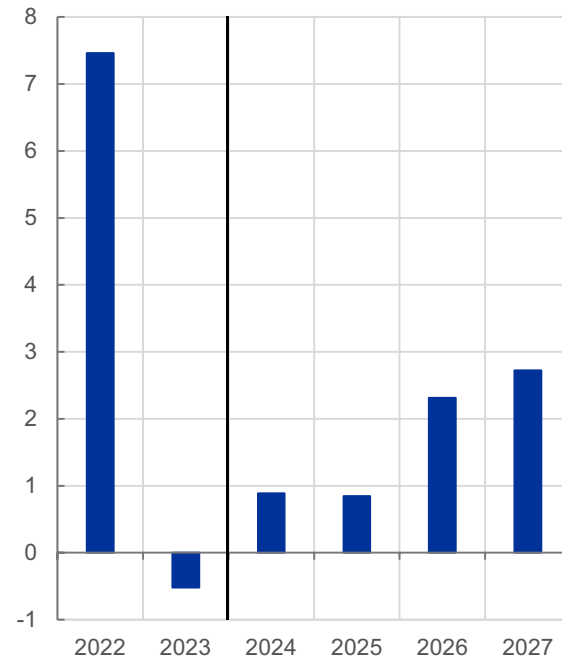


Sources: Trade Data Monitor and ECB staff calculations.

Note: The chart reports the value of sectoral euro area exports to the United States in 2023 in billions of euro and as a percentage of euro area GDP.

## Total euro area export volumes

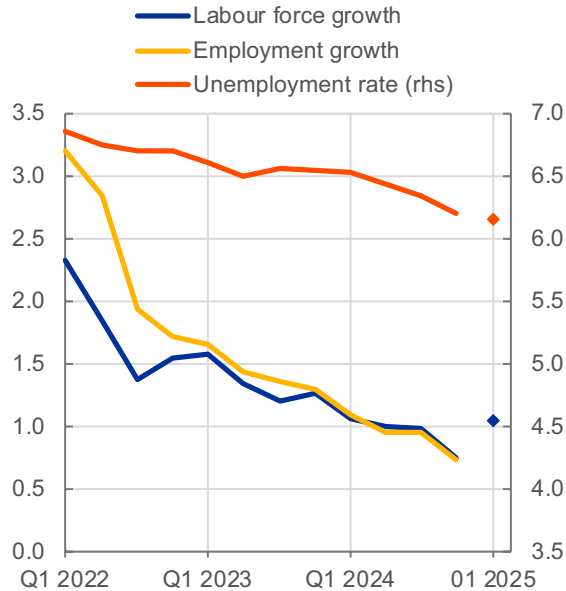
(year-on-year percentage changes)



Source: March 2025 projections.

## Unemployment and the labour force

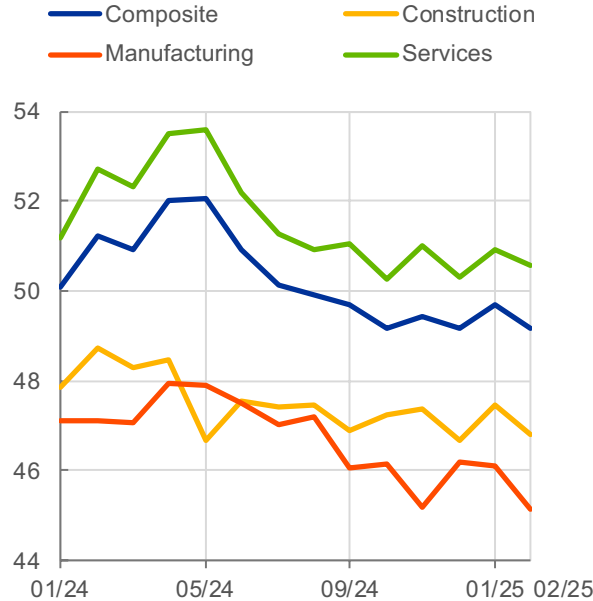
(left-hand side: year-on-year percentage change; right-hand side: percentage of the labour force)



Sources: Eurostat and ECB staff calculations.  
Notes: The latest observations are for the fourth quarter of 2024 for employment and for January 2025 for unemployment and the labour force (red and blue diamonds).

## PMI employment

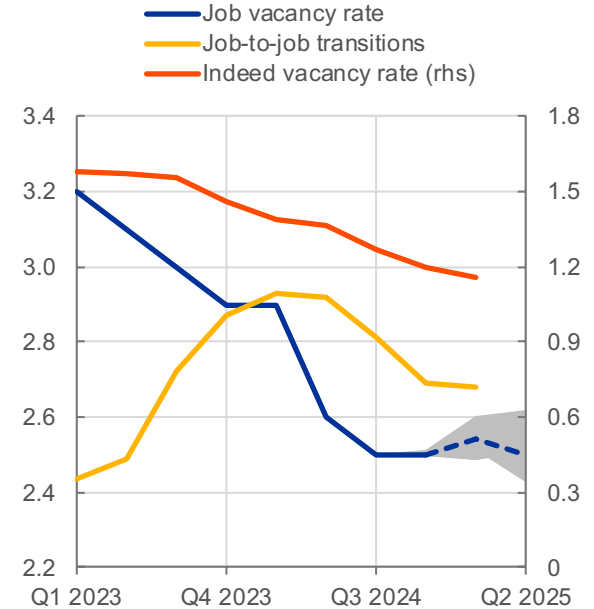
(diffusion index)



Source: S&P Global.  
Notes A value of 50 indicates the neutral threshold between expansionary territory (>50) and contractionary (<50). The latest observation is February 2025.

## Job-to-job transitions and labour demand

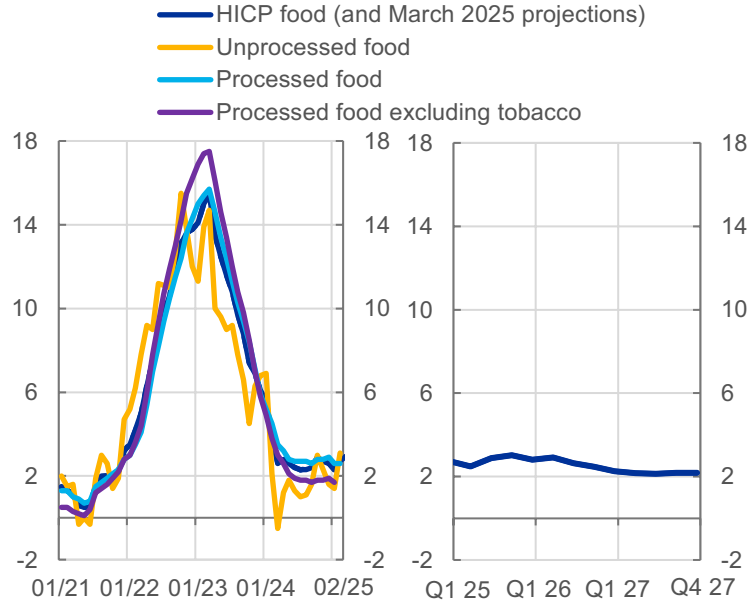
(left-hand side: Job vacancy rate as percentage of jobs; Job-to-job transitions as percentage of employment; right-hand side: Indeed vacancy rate as percentage of jobs)



Sources: CES, Eurostat, Indeed and ECB staff calculations.  
Notes: The Indeed vacancy rate computed as Indeed job postings over the sum of LFS employment and Indeed job postings. JVR projected for Q1 and Q2 (dashed line) using earnings calls data; grey area is the min-max range of the forecast. The latest observations are for Q4 2024 for the JVR, January 2025 for JtJ transitions and February 2025 for the Indeed vacancy rate.  
www.ecb.europa.eu

## Food inflation

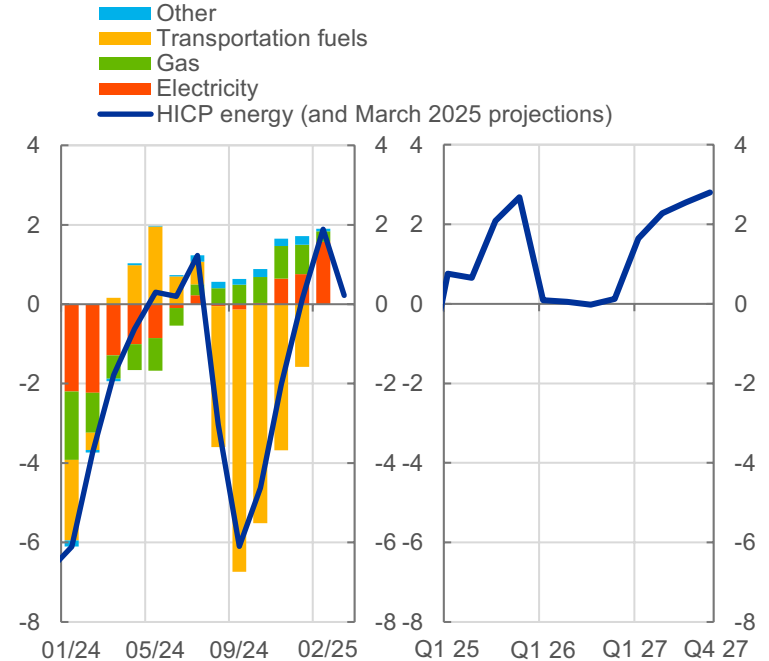
(annual percentage changes)



Sources: Eurostat, March 2025 projections and ECB calculations.  
 Note: The latest observations are for February 2025 (flash estimate) and for January 2025 for processed food excluding tobacco.

## Energy inflation

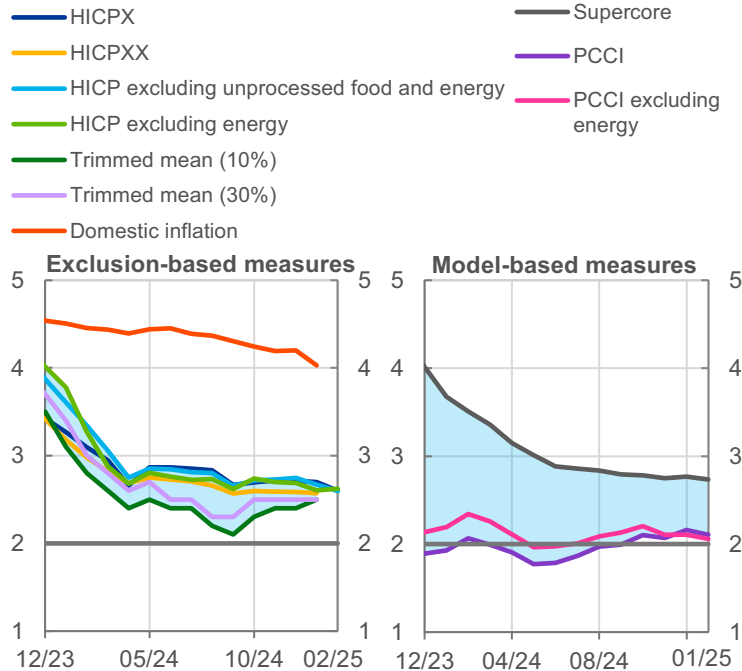
(annual percentage changes and percentage point contributions)



Sources: Eurostat, March 2025 projections and ECB calculations.  
 Note: The latest observations are for February 2025 (flash estimate) for energy and for January 2025 for the remaining indicators.

# Measures of underlying inflation and inflation momentum

## Measures of underlying inflation (annual percentage changes)

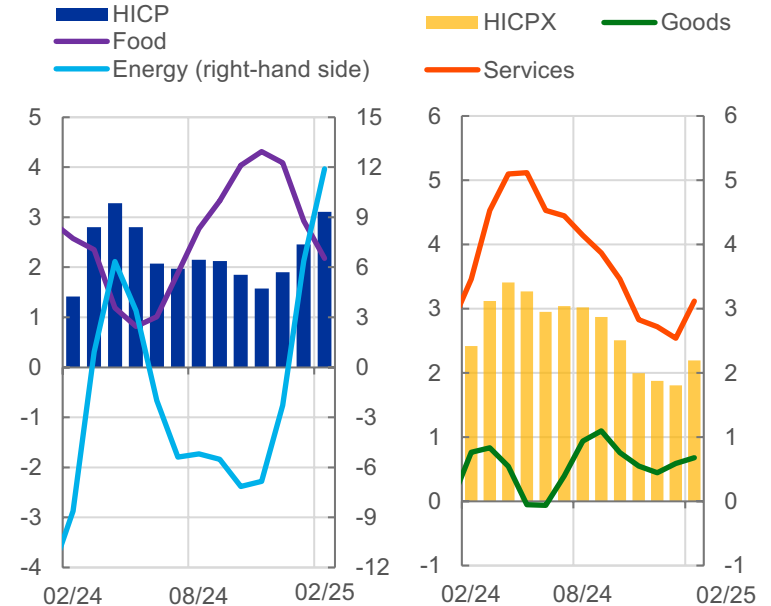


Sources: Eurostat and ECB calculations.

Note: The latest observations are for February 2025 (flash estimate) for HICPX, HICP excluding unprocessed food and energy and HICP excluding energy and January 2025 for the rest.

## Momentum of inflation and its subcomponents

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



Sources: Eurostat and ECB calculations.

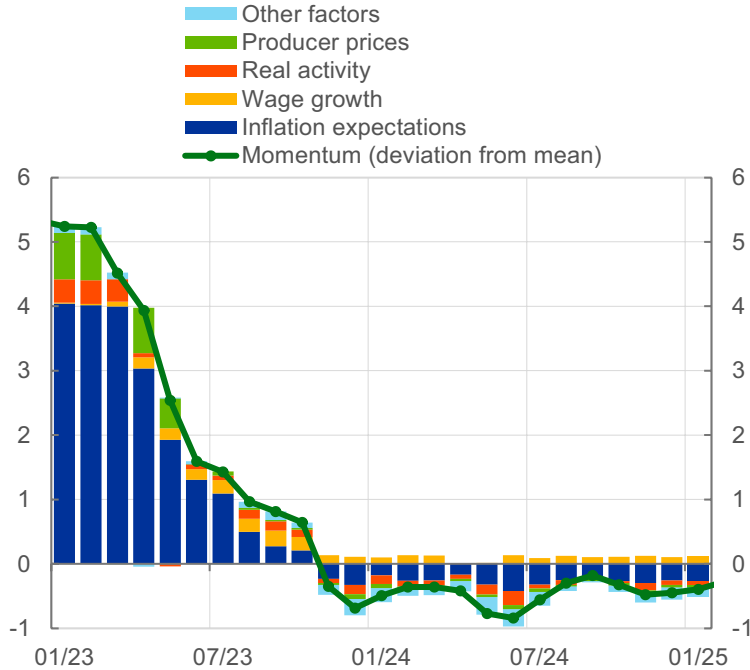
Notes: Calculated using seasonally adjusted data. The latest observations are for February 2025 (flash estimate).



# Non-energy industrial goods (NEIG) and services inflation

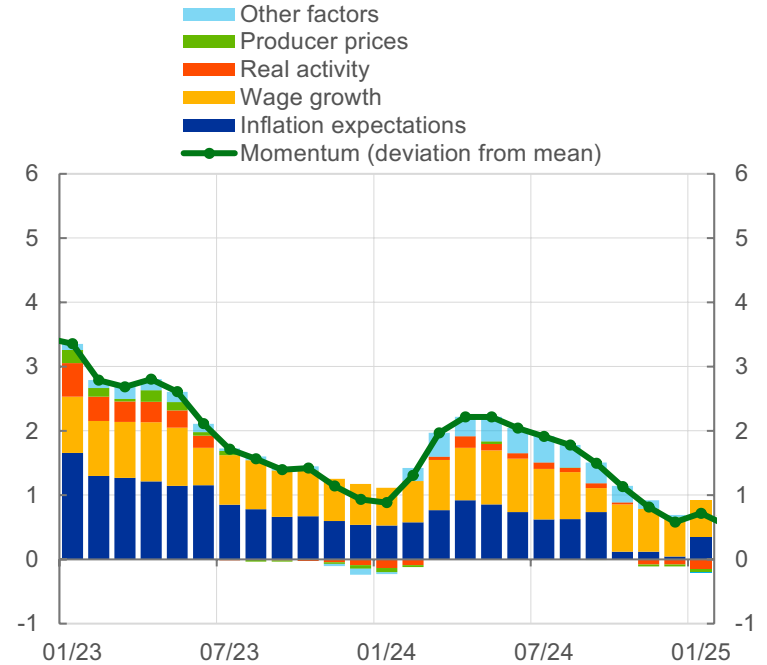
## Dynamic QRF decomposition for the momentum of NEIG inflation

(percentage point deviations and contributions)



## Dynamic QRF decomposition for the momentum of services inflation

(percentage point deviations and contributions)



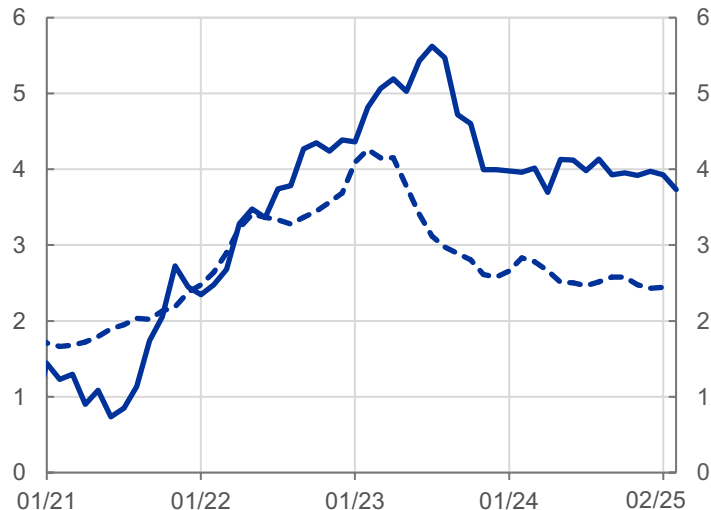
Sources: ECB calculations based on quantile regression forest (QRF) estimates from Lenza, Moutachaker and Paredes (2023) (cut-off for data is January 2025). The data sources are listed in Appendix A of their paper.

Notes: The inflation momentum is the annualised three-month-on-three-month percentage change in the seasonally adjusted price index. The latest observations are for January 2025.

## Underlying pressures for services inflation

(annual percentage changes)

--- PCCI services      — Services



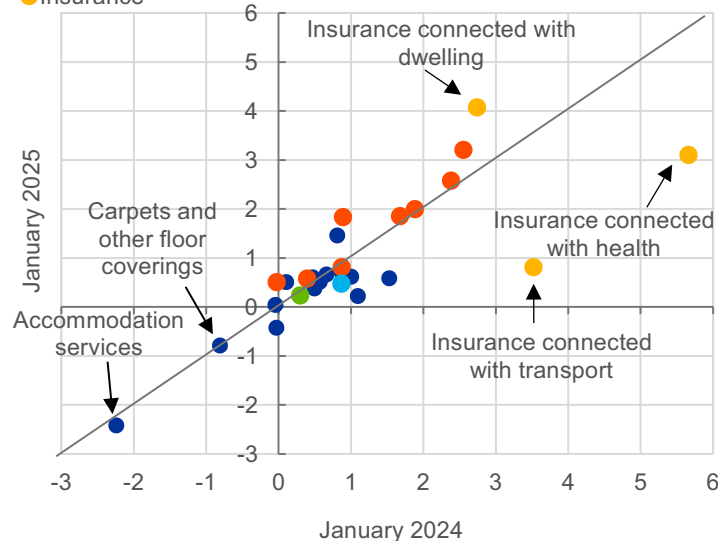
Sources: Eurostat and ECB calculations.

Notes: The latest observations are for February 2025 (flash estimate) for services inflation and for January 2025 for PCCI services.

## Domestic items: January 2024 versus January 2025 month-on-month rates

(monthly percentage changes)

● Rest      ● Administered prices  
 ● Actual rentals for housing      ● Restaurants, cafes and the like  
 ● Insurance



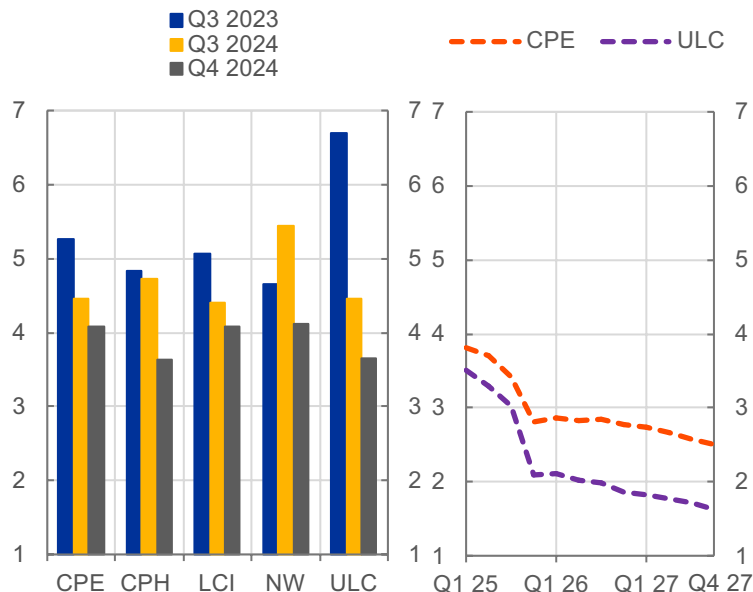
Sources: Eurostat and ECB calculations.

Notes: Administered prices refer to social protection, refuse collection, sewerage collection, water supply, dental services, hospital services, medical and paramedical services and other services n.e.c. which are fully or mainly administered for at least 50% of euro area coverage. Insurance corresponds to insurance connected with transport, insurance connected with health and insurance connected with the dwelling. The latest observations are for January 2025.

# Labour cost indicators and the wage tracker

## Labour costs in the euro area

(annual percentage changes)

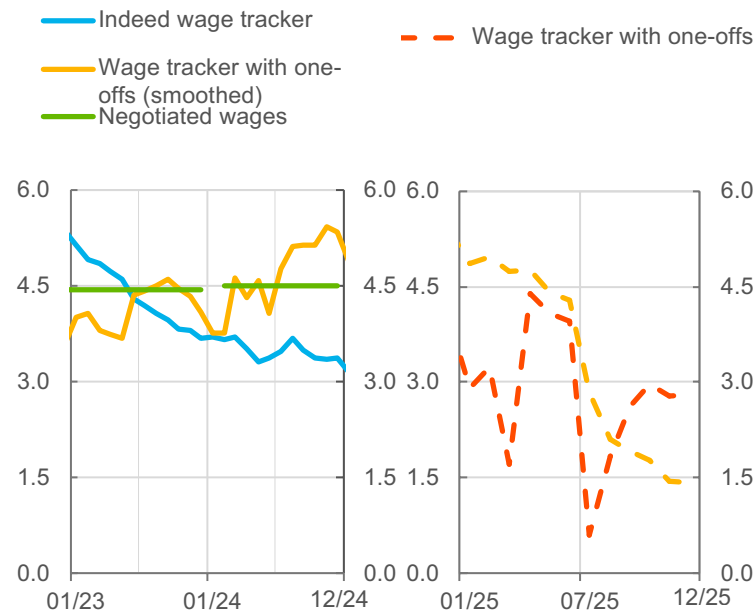


Sources: Eurostat, ECB, March 2025 projections and ECB staff calculations.

Notes: In the left panel, the columns represent the compensation per employee (CPE), compensation per hour (CPH), labour cost index (wages and salaries) (LCI), negotiated wages (NW) and unit labour costs (ULC). In the right panel, the dashed lines correspond to the March 2025 projections. The latest observations are for the fourth quarter of 2024.

## Wage trackers in the euro area

(annual percentage changes)



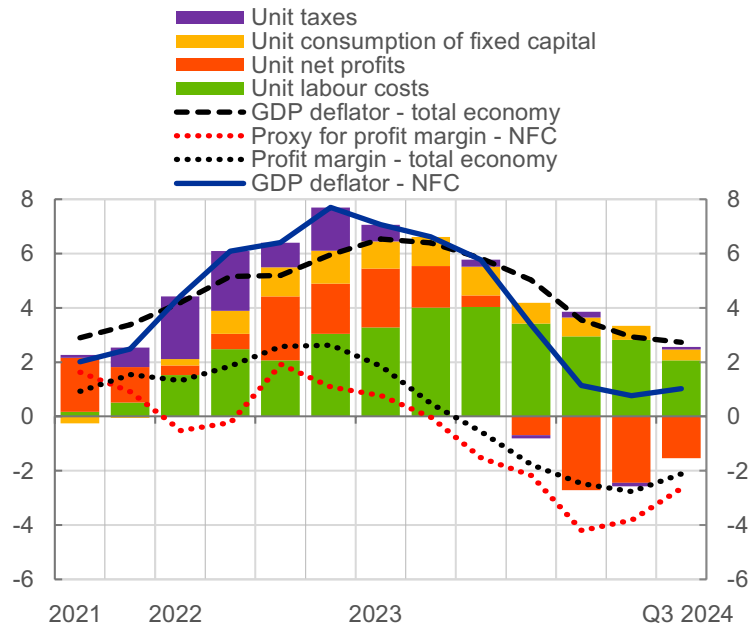
Sources: Wage tracker calculated based on micro data on wage agreements provided by Deutsche Bundesbank, Banco de España, the Dutch employer association (AWVN), Oesterreichische Nationalbank, Bank of Greece, Banca d'Italia, and Banque de France; Eurostat; ECB projections database.

Note: The latest observations are for December 2025 for the ECB wage tracker, December 2024 for the ECB indicator of negotiated wage rates and January 2025 for the Indeed wage tracker.

# Domestic cost pressures in the NFC sector and wage expectations

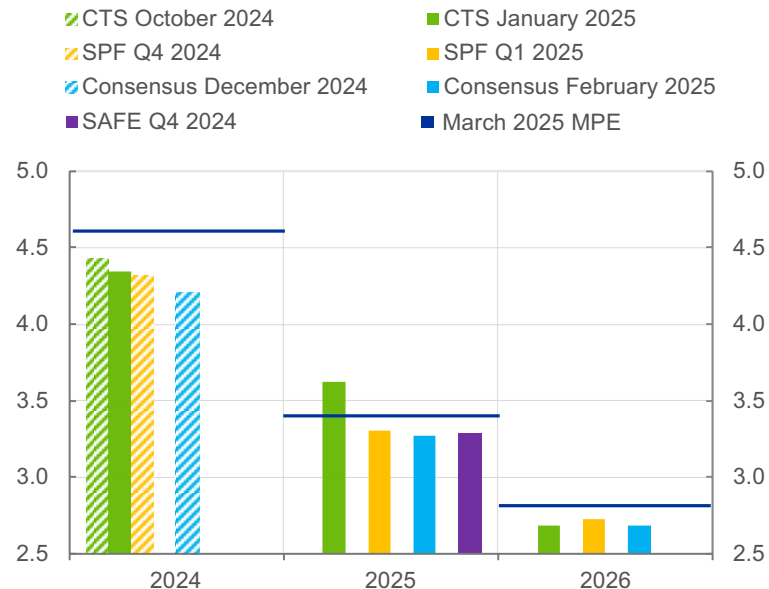
## GDP deflator and profit margins in the non-financial corporation (NFC) sector

(annual percentage changes and percentage points contributions)



## Survey-based wage expectations

(annual percentage changes)



Sources: Eurostat and ECB staff calculations.

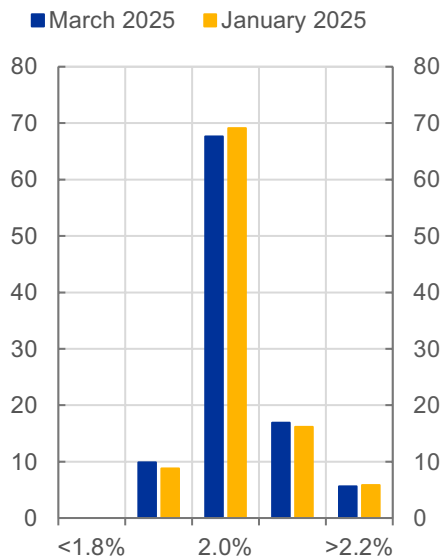
Note: The latest observations are for the third quarter of 2024.

Sources: Survey of Professional Forecasters (SPF), March 2025 projections, Consensus Economics Forecasts, Corporate Telephone Survey (CTS) and the survey on the access to finance of enterprises (SAFE).

Notes: The SAFE survey asks for 12-month-ahead wage growth, while all the other surveys are for calendar years. The latest observations are for the fourth quarter of 2024 for SAFE, the first quarter of 2025 for the SPF, January 2025 for the CTS and February 2025 for Consensus Economics Forecasts.

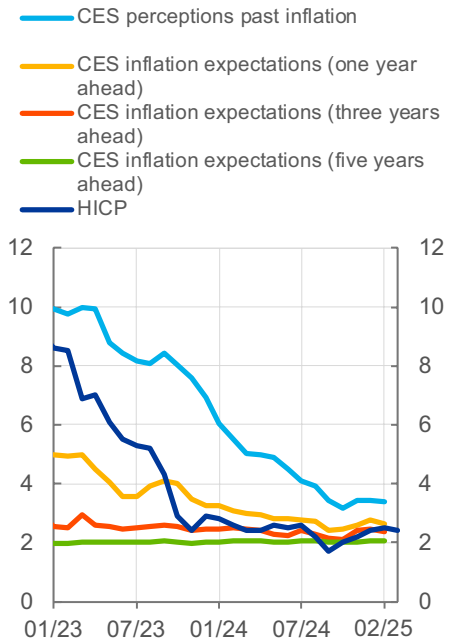
# Inflation expectations

## Distribution of point forecasts for long-run HICP inflation (percentages)



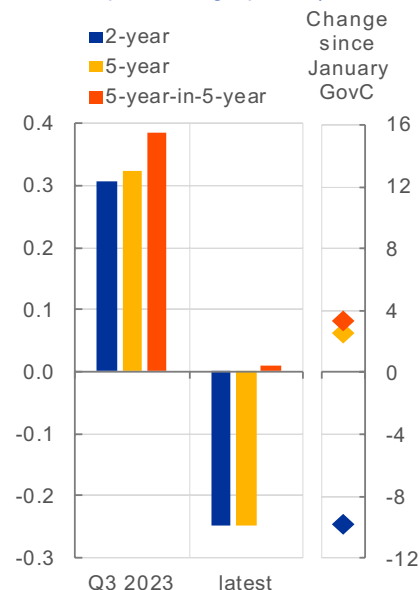
Source: Survey of Monetary Analysts (SMA).  
Note: The latest observations are for March 2025

## ECB consumer expectations survey (annual percentage changes)



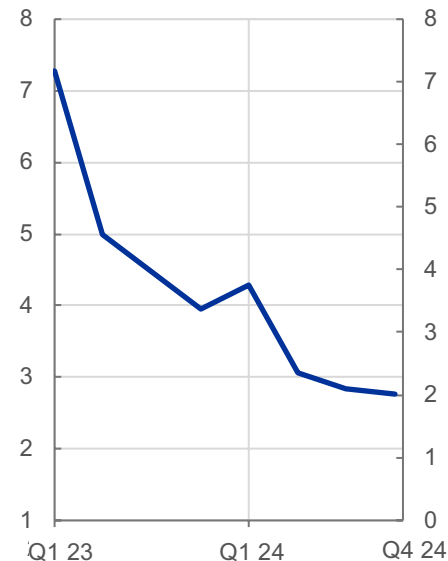
Sources: Eurostat and ECB Consumer Expectations Survey (CES).  
Notes: The series refer to the median value for the CES. The latest observations are for February 2025 (flash estimate) for HICP and January 2025 for the rest.

## Balance of risks to euro area inflation (left-hand scale: percentage points/100; right-hand scale: percentage points)



Sources: LSEG, Bloomberg and ECB calculations.  
Notes: The balance of risks is defined as the difference between the options-implied risk-neutral probability of average inflation being above versus below 2% over the lifetime of the option contract (see Garcia et al., 2024). The latest observations are for 11 March 2025.

## Mentions of inflation in earnings calls (mean number of sentences per earnings call of large firms)

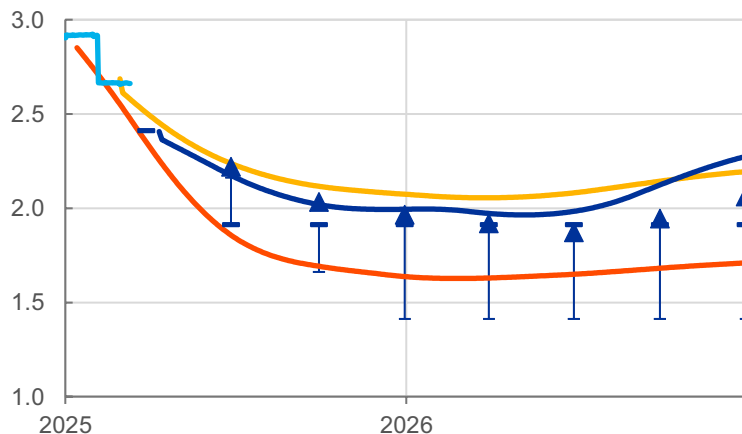


Sources: NL Analytics. Notes: Mean number of sentences per earnings call containing a query keyword that reflects attention to macroeconomic news on inflation by large firms as in Song, W. and Stern, S. (2024), "Firm Inattention and the Efficacy of Monetary Policy: A Text-Based Approach", *Review of Economic Studies* (forthcoming). The latest observations are for the fourth quarter of 2024.  
[www.ecb.europa.eu](http://www.ecb.europa.eu)

## €STR forward curve and survey expectations of the deposit facility rate

(percentages per annum)

- ▲ €STR forward curve adjusted for term premia (latest)
- €STR forward curve pre-December GovC (11 December 2024)
- €STR forward curve pre-January GovC (29 January 2025)
- €STR forward curve (latest)
- Realised €STR
- SMA median (Mar 25)
- SMA 25th-75th percentiles



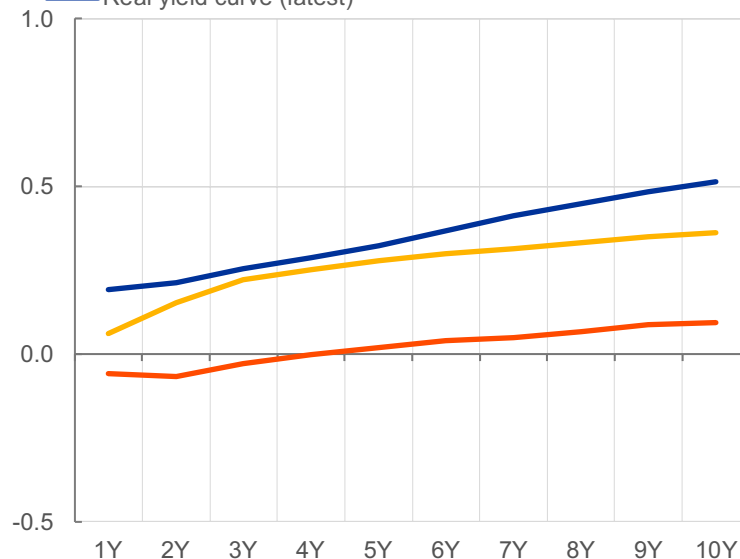
Sources: LSEG, SMA, and ECB calculations.

Notes: The deposit facility rate (DFR) expectations from the SMA survey are adjusted for the current €STR vs DFR spread. Model 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 11 March 2025.

## Real yield curves

(percentages per annum)

- Real yield curve pre-December GovC (11 December 2024)
- Real yield curve pre-January GovC (29 January 2025)
- Real yield curve (latest)



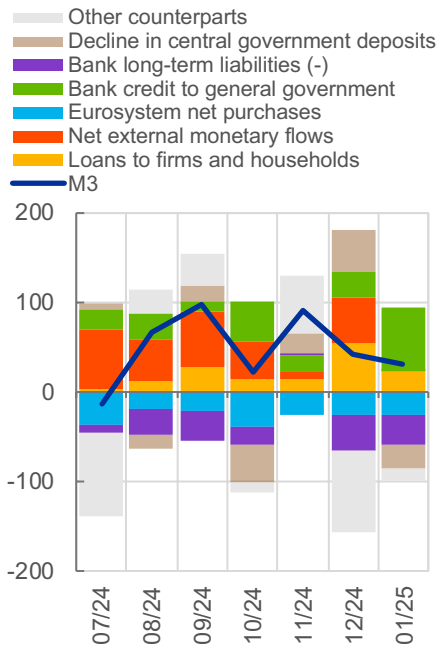
Sources: Bloomberg, LSEG, and ECB calculations.

Notes: The euro area real rate is calculated by subtracting the inflation-linked swap rate from the nominal overnight index swap (OIS) rate.

The latest observations are for 11 March 2025.

## Sources of money creation

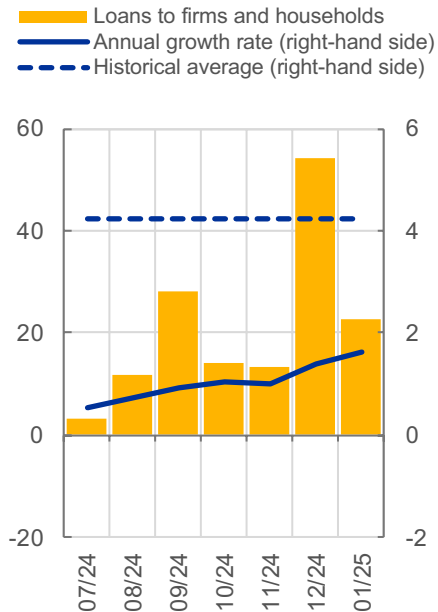
(monthly flows in EUR billions)



Source: ECB.  
Note: The latest observations are for January 2025.

## Loans to the non-financial private sector

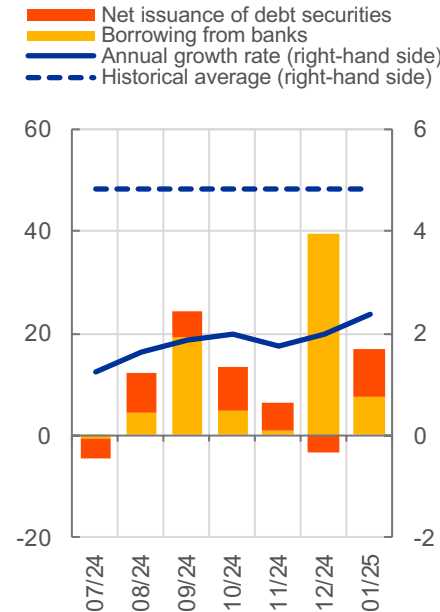
(lhs: monthly flows in EUR billions, rhs: annual percentage changes)



Sources: ECB and ECB calculations.  
Notes: Bank loans are adjusted for sales, securitisation and cash pooling. The historical average is calculated from January 1999. The latest observations are for January 2025.

## Net debt financing flows of euro area firms

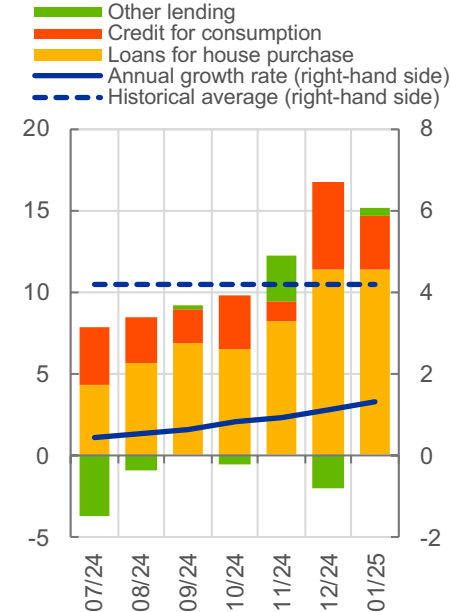
(lhs: monthly flows in EUR billions, rhs: annual percentage changes)



Sources: ECB 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 historical average is calculated from January 1999. The latest observations are for January 2025.

## Bank loans to households by purpose

(lhs: monthly flows in EUR billions, rhs: annual percentage changes)

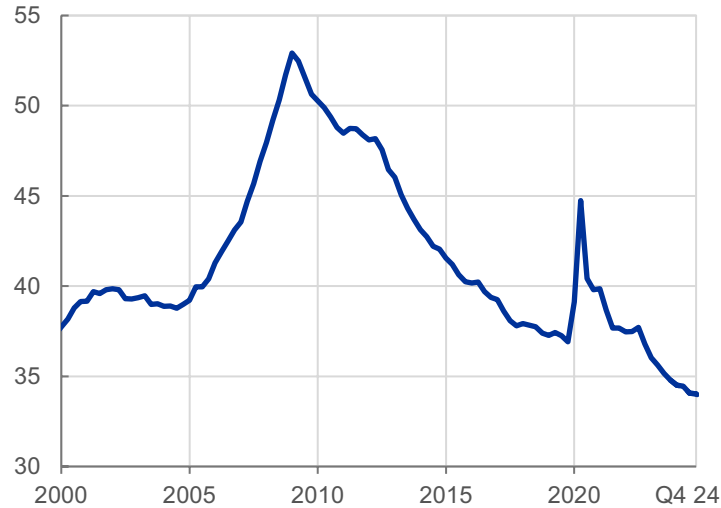


Sources: ECB and ECB calculations.  
Notes: Bank loans are adjusted for sales and securitisation. The historical average is calculated from January 1999. The latest observations are for January 2025.

# Bank lending as a share of GDP and disposable income

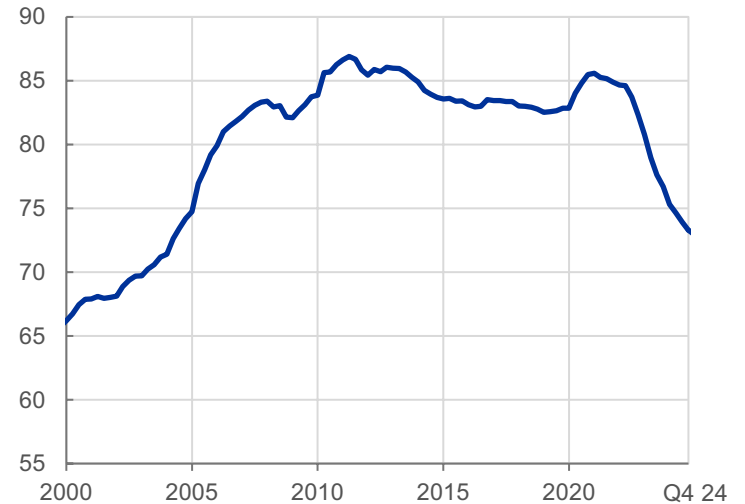
## Bank lending to euro area firms

(outstanding amounts; percentages of GDP)



## Bank lending to euro area households as a share of household disposable income

(outstanding amounts; percentage of nominal gross disposable income)



Sources: ECB, Eurostat and ECB calculations.

Notes: Loans are corrected for sales, securitisations and cash pooling. The latest observations are for the fourth quarter of 2024.

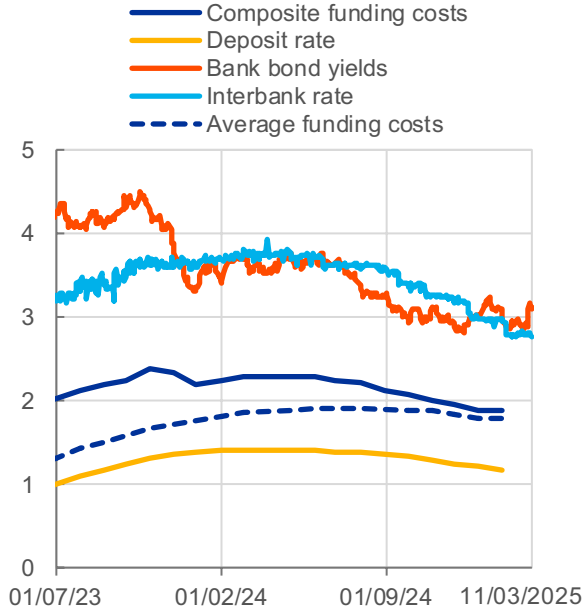
Sources: ECB, Eurostat and ECB calculations.

Notes: Loans are corrected for sales and securitisations. The latest observations are for the fourth quarter of 2024.



# Bank funding costs and lending rates

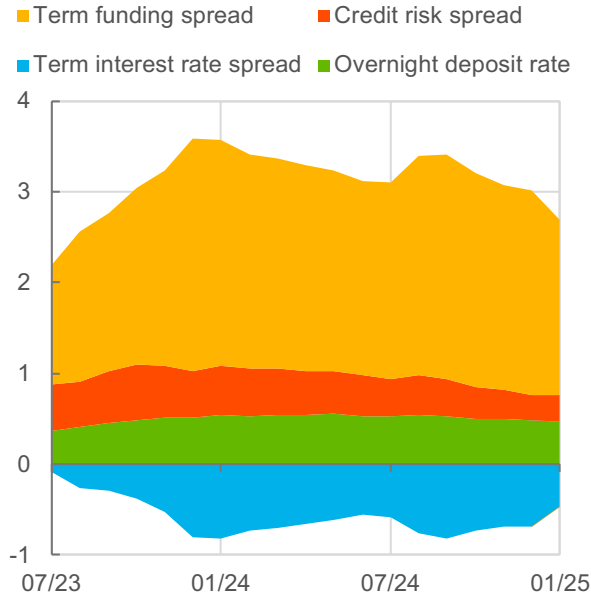
## Bank funding costs (percentages per annum)



Sources: ECB, IHS Markit iBoxx and ECB calculations.

Notes: Composite funding costs are computed as a weighted average of rates on new business costs of deposits, bank bonds and interbank borrowing. The latest observations are for January 2025 for monthly data and 11 March 2025 for daily data.

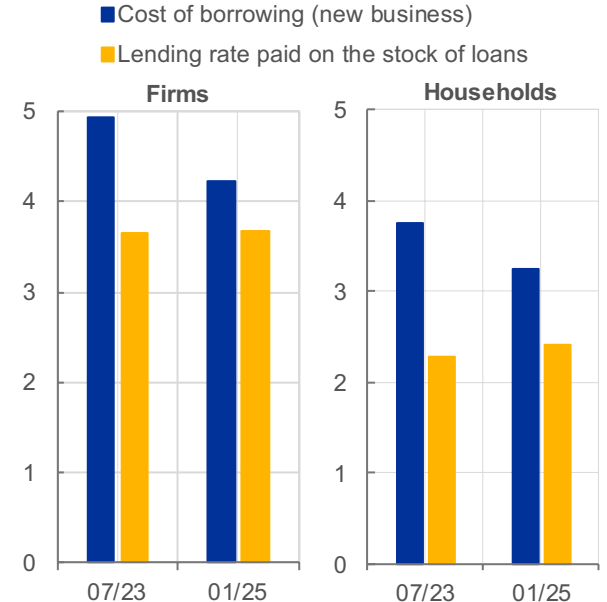
## Drivers of composite bank funding cost (percentages per annum)



Sources: ECB, IHS Markit iBoxx, and ECB calculations.

Notes: "Term interest rate spread" is the relevant OIS rate minus €STR. "Term funding spread" is the difference between maturity matched spreads of longer vs shorter instruments. "Credit risk spread" is the weighted sum of the difference between senior unsecured and subordinated bonds, and covered bond spreads, and between NFC and household deposit rates. The latest observations are for January 2025.

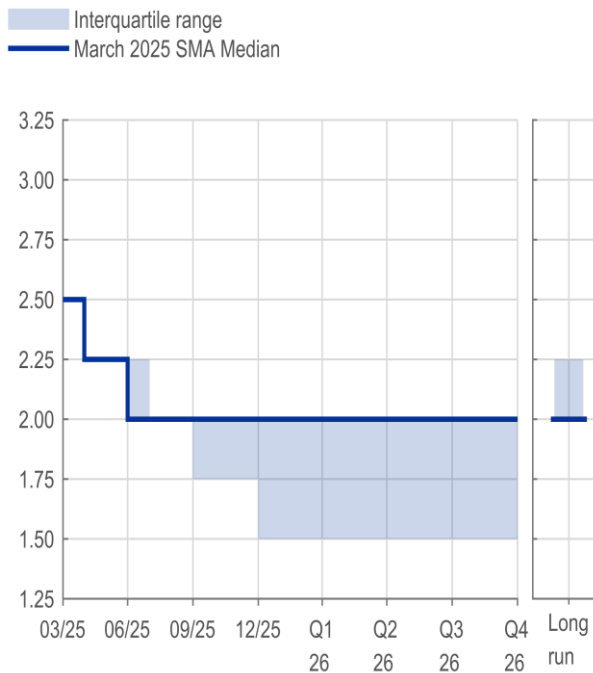
## Bank lending rates (percentages per annum)



Sources: ECB and ECB calculations.

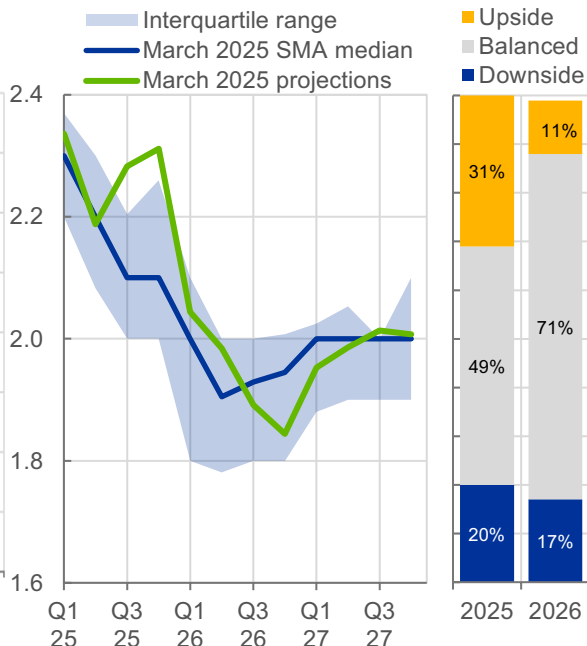
Notes: The total cost of borrowing for firms is calculated by aggregating short-term and long-term rates on new business using a 24-month moving average of new business volumes. The latest observations are for January 2025.

## Expected DFR path (percentage of respondents)



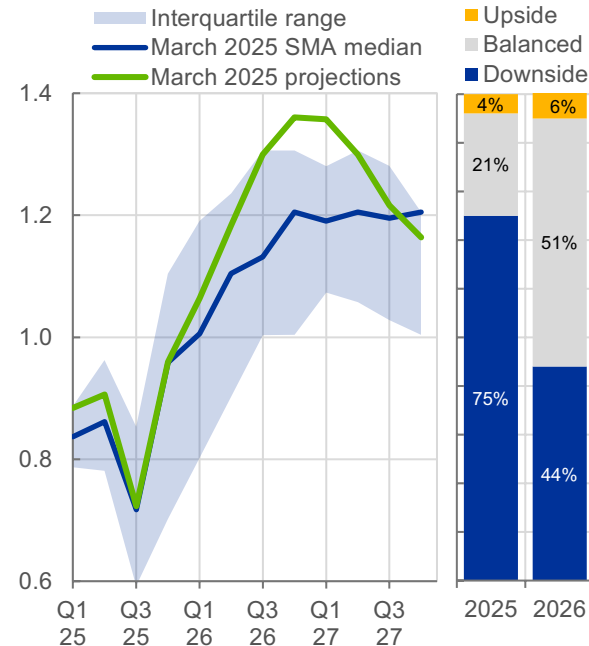
Sources: March 2025 SMA and ECB.  
 Notes: Based on 70 responses received in the March 2025 SMA.

## Expected HICP inflation and balance of risk (annual percentage changes, percentages)



Sources: March 2025 SMA and ECB.  
 Notes: Interquartile range refers to point forecasts of respondents. Percentages may not add up to 100% due to rounding.

## Expected real GDP growth and balance of risk (annual percentage changes, percentages)



Sources: March 2025 SMA and ECB.  
 Notes: Interquartile range refers to point forecasts of respondents. Percentages may not add up to 100% due to rounding.