BANK OF GREECE
EUROSYSTEM

# INFLATION MONITOR

## March 15, 2024

Economic Analysis and Research Department

**Macroeconomic indicators:**

- **Annual HICP headline inflation in the euro area declined slightly** to 2.6% in February 2024 from 2.8% in January. This development reflects easing inflation for all major components except energy which became less negative. Core inflation (HICP excluding energy and food) also declined to 3.1% in February 2024 from 3.3% in January. **Annual CPI inflation in the US ticked up** to 3.2% in February from 3.1% in January, on the back of increasing services' inflation. Core CPI inflation fell marginally to 3.8%. **Annual HICP headline inflation in Greece declined** slightly to 3.1% in February 2024 from 3.2% in January. Lower annual rates were posted by both food components and non-energy industrial goods. Core inflation also declined marginally to 3.0% in February from 3.1% in January due to lower non-energy industrial goods' inflation (1.7% from 2.6%). Some leading indicators suggest a pickup of inflation expectations over the last two months in Greece.
- **Global sea transportation costs** have more than doubled compared to November 2023 due to Houthi rebels' attacks on vessels crossing the Red Sea.

**Market-based indicators:**

- **Nominal bond yields retreated**, vis-à-vis one month ago; the yields' reduction was mild in the euro area and more pronounced in the U.S.
  - In the **euro area**, a fall in nominal yields, due to reduced market-based expectations for inflation rates, was offset by a similar rise in real yields, in the medium-term segment of the yield curve; in the long-term segment, both real yields and the inflation-related component of nominal yields fell.
  - In the **US**, real yields declined, both in the medium- and the long-term segments of the yield curve, while the component linked to market-based inflation expectations declined slightly**.**
- **Investors expect the ECB and the Fed to begin cutting rates by June this year:**
  - **The ECB is expected to keep rates steady at 4% (DFR) up to June 2024** when a rate cut by 25 bps is discounted (around 84% probability); by the end of 2024, ECB rates are expected to stand 100 bps lower than today.
  - **The Fed is expected to keep the Fed funds rate (FFR) at its current range of 5.25%-5.5% up to June 2024,** at which time a rate cut by 25 bps is expected (around 70% probability); by the end of 2024 the Fed fund rate is now expected to stand 100 bps lower than today.

**Key statements and news:**

- **The ECB's Governing Council, on 7.3.2024, decided to keep the three key ECB interest rates unchanged** (interest rates on the main refinancing operations and deposit facility were held at historical highs of 4.50% and 4.00%, respectively).
- **Fed Chair Jerome Powell** said, in his testimony to the US House of Representatives' Committee on Financial Services on 6 March, that "*the Committee does not expect that it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent*".

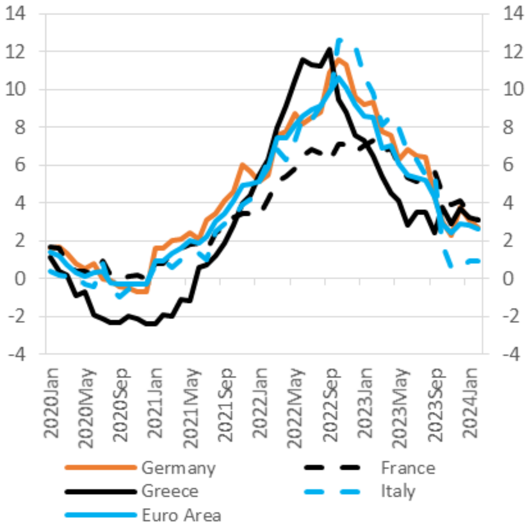
## Section 1: HICP developments

- ***Inflationary pressures in the euro area eased significantly in the course of 2023, oscillated in the last quarter of the previous year and fell slightly in January and February 2024. Core inflation remains at elevated levels but keeps declining.***
- ***In Greece both headline inflation and core inflation declined notably in the course of 2023. Headline inflation oscillated a lot in the second half of 2023 and was once again above core inflation in the fourth quarter of 2023 and in the first two months of 2024. Both headline and core inflation declined in February 2024.***

### HCP Headline inflation for selected euro area countries

(annual % changes)

***Inflation has been easing notably since late 2022…***

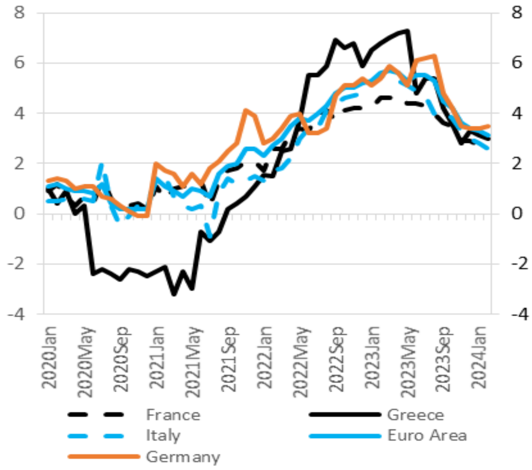



**Source: Eurostat. Latest observation: February 2024.**

### Core inflation for selected euro area countries HICP excluding energy & food

(annual % changes)

***… while core inflation remains at elevated levels but keeps declining steadily.***

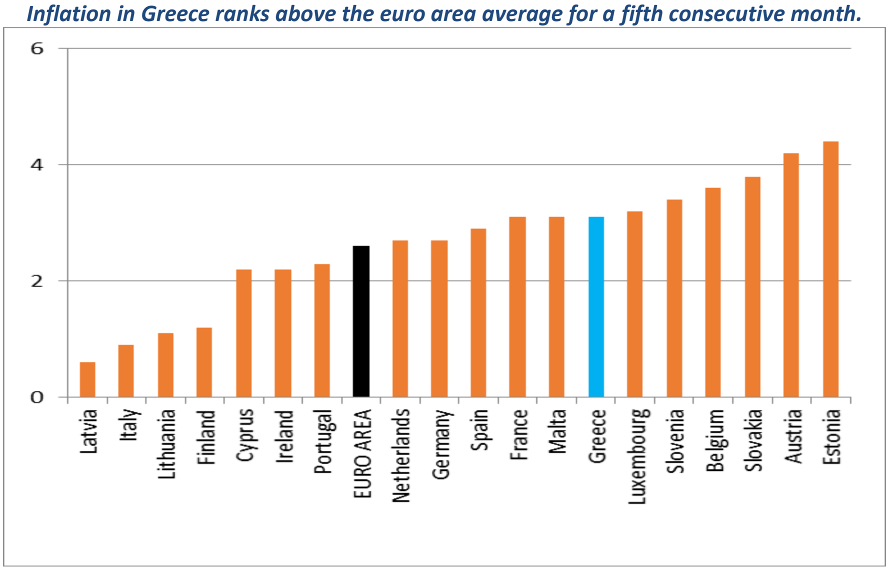



**Source: Eurostat. Latest observation: February 2024.**

### HICP Headline inflation for euro area countries – February 2024

(annual % changes)

***Inflation in Greece ranks above the euro area average for a fifth consecutive month.***




**Source: Eurostat.**

## Price developments in the euro area and Greece

(annual % changes)

***Easing in energy and food inflation continues, but core inflation stays at elevated, albeit declining, levels.***

| EURO AREA | 2024 weights (%) | 2021 | 2022 | 2023 | 2023 | | | | 2023 | | | | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| **Harmonised Index of Consumer Prices (HICP)** | | | | | | | | | | | | | | | |
| **Overall index** | **100.00** | **2.6** | **8.4** | **5.4** | **8.0** | **6.2** | **5.0** | **2.7** | **5.2** | **4.3** | **2.9** | **2.4** | **2.9** | **2.8** | **2.6** |
| Goods | 55.12 | 3.4 | 11.9 | 5.7 | 10.3 | 6.8 | 4.5 | 1.7 | 4.9 | 4.0 | 1.7 | 1.3 | 2.1 | 1.8 | 1.5 |
| Processed food (including alcohol and tobacco) | 15.12 | 1.5 | 8.6 | 11.4 | 15.4 | 13.5 | 10.3 | 7.1 | 10.3 | 9.4 | 8.4 | 7.1 | 5.9 | 5.2 | 4.5 |
| Unprocessed food | 4.35 | 1.6 | 10.4 | 9.1 | 13.3 | 9.5 | 7.9 | 5.8 | 7.8 | 6.6 | 4.5 | 6.3 | 6.8 | 6.9 | 2.2 |
| Non-energy industrial goods | 25.73 | 1.5 | 4.6 | 5.0 | 6.7 | 5.8 | 4.6 | 2.9 | 4.7 | 4.1 | 3.5 | 2.9 | 2.5 | 2.0 | 1.6 |
| Energy | 9.91 | 13.0 | 37.0 | -2.0 | 10.0 | -1.8 | -4.6 | -9.8 | -3.3 | -4.6 | -11.2 | -11.5 | -6.7 | -6.1 | -3.7 |
| Services | 44.88 | 1.5 | 3.5 | 4.9 | 4.7 | 5.2 | 5.3 | 4.2 | 5.5 | 4.7 | 4.6 | 4.0 | 4.0 | 4.0 | 3.9 |
| **Core Inflation (HICP less energy, food, alcohol and tobacco)** | **70.62** | **1.5** | **3.9** | **4.9** | **5.5** | **5.5** | **5.1** | **3.7** | **5.3** | **4.5** | **4.2** | **3.6** | **3.4** | **3.3** | **3.1** |
| **GREECE** | | | | | | | | | | | | | | | |
| **Harmonised Index of Consumer Prices (HICP)** | | | | | | | | | | | | | | | |
| **Overall index** | **100.00** | **0.6** | **9.3** | **4.2** | **6.4** | **3.8** | **3.1** | **3.5** | **3.5** | **2.4** | **3.8** | **2.9** | **3.7** | **3.2** | **3.1** |
| Goods | 53.62 | 2.0 | 12.9 | 3.8 | 7.0 | 2.5 | 2.1 | 3.7 | 2.5 | 1.2 | 4.0 | 3.3 | 3.8 | 3.1 | 2.8 |
| Processed food (including alcohol and tobacco) | 17.27 | 0.7 | 9.5 | 9.3 | 13.2 | 10.7 | 7.8 | 6.1 | 8.1 | 6.3 | 6.5 | 6.1 | 5.6 | 5.3 | 4.7 |
| Unprocessed food | 7.65 | 2.2 | 10.1 | 11.1 | 10.1 | 8.5 | 13.3 | 12.5 | 11.9 | 12.8 | 14.2 | 11.1 | 12.3 | 11.5 | 8.3 |
| Non-energy industrial goods | 21.14 | -0.7 | 5.0 | 6.4 | 9.1 | 7.9 | 5.8 | 3.2 | 6.5 | 4.4 | 3.6 | 3.4 | 2.6 | 2.6 | 1.7 |
| Energy | 7.56 | 12.4 | 41.0 | -13.4 | -6.9 | -20.4 | -18.7 | -6.0 | -17.3 | -18.3 | -6.8 | -7.2 | -4.0 | -6.5 | -2.8 |
| Services | 46.38 | -1.0 | 4.5 | 4.5 | 5.2 | 5.5 | 4.1 | 3.1 | 4.2 | 3.8 | 3.4 | 2.4 | 3.6 | 3.3 | 3.5 |
| **Core Inflation (HICP less energy, food, alcohol and tobacco)** | **67.52** | **-1.1** | **4.6** | **5.3** | **6.8** | **6.4** | **5.0** | **3.2** | **5.4** | **4.2** | **3.6** | **2.8** | **3.3** | **3.1** | **3.0** |

**Sources: Eurostat, ELSTAT and BoG calculations.**

## Price developments in the energy component of the Greek HICP and its subcomponents

(annual % changes)

***Energy prices, which strongly drove up HICP in 2022, eased significantly in 2023 and remain subdued.***

| GREECE | 2024 weights (%) | 2021 | 2022 | 2023 | 2023 | | | | 2023 | | | | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| **Harmonised Index of Consumer Prices (HICP)** | | | | | | | | | | | | | | | |
| **Overall HICP index** | **100.00** | **0.6** | **9.3** | **4.2** | **6.4** | **3.8** | **3.1** | **3.5** | **3.5** | **2.4** | **3.8** | **2.9** | **3.7** | **3.2** | **3.1** |
| **ENERGY** | **7.56** | 12.4 | 41.0 | -13.4 | -6.9 | -20.4 | -18.7 | -6.0 | -17.3 | -18.3 | -6.8 | -7.2 | -4.0 | -6.5 | -2.8 |
| Electricity | **2.56** | 8.3 | 43.1 | -15.0 | -21.4 | -25.4 | -8.5 | 0.8 | -6.5 | -1.2 | 1.9 | 0.7 | -0.1 | -0.4 | -1.1 |
| Natural gas and town gas | **0.25** | 68.3 | 127 | -49.3 | 28.1 | -44.3 | -78.0 | -55.5 | -78.8 | -82.0 | -60.5 | -53.2 | -52.9 | -60.2 | -52.0 |
| Liquefied hydrocarbons | **0.04** | 1.3 | 11.5 | 7.6 | 16.4 | 12.1 | 4.6 | -1.1 | 6.0 | -0.8 | 2.6 | -5.0 | -0.8 | -1.0 | 3.2 |
| Liquid fuels | **1.07** | 20.0 | 45.1 | -11.8 | -8.0 | -20.7 | -20.7 | 6.4 | -20.7 | -20.7 | 0.7 | 6.0 | 13.7 | 1.3 | 9.9 |
| Solid fuels | **0.22** | -0.7 | 11.0 | 21.2 | 24.8 | 28.8 | 23.3 | 10.0 | 24.2 | 19.2 | 10.8 | 9.9 | 9.2 | 8.6 | 7.2 |
| Fuels for personal transport equipment | **3.42** | 13.5 | 25.5 | -7.8 | -0.2 | -16.1 | -7.0 | -6.7 | -4.6 | 0.7 | -6.4 | -9.7 | -3.6 | -4.0 | -1.7 |

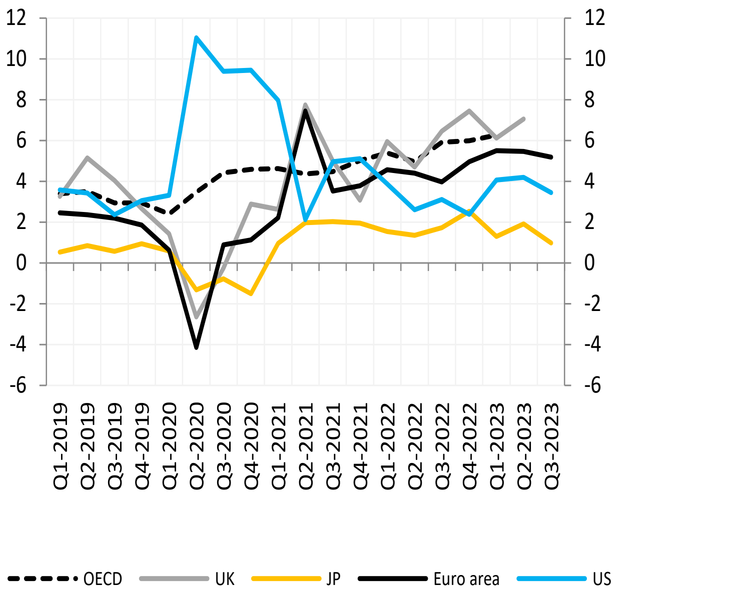
**Sources: ELSTAT and BoG calculations.**

## Section 2: Labour market developments

- ***The labour market in major advanced economies continues to show resilience to the current economic slowdown. Unemployment rates remain broadly at historical lows.***
- ***Nominal wage pressures are gradually easing globally, amid weaker economic activity and declining vacancy rates, but remain stronger than before the pandemic in the euro area and the UK. Unit profits are expected to decline in the euro area in 2024, providing a buffer against the pass-through of labour costs to inflation (ECB projections March 2024).***

### Compensation per employee - major regions globally (y-o-y % change; sa)

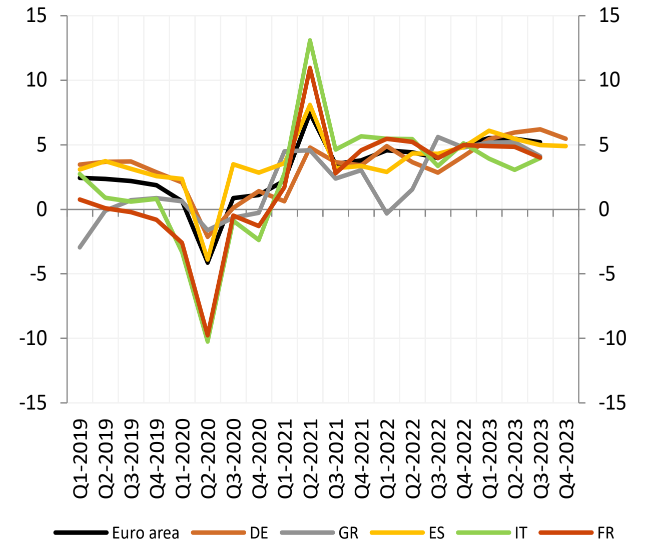
*Compensation per employee growth moderated in Q3 2023 in most major advanced economies…*




Source: OECD. Latest observation: Q3 2023, except for the OECD (Q1 2023) and the UK (Q2 2023).

### Compensation per employee - selected euro area countries (y-o-y % change; sa)

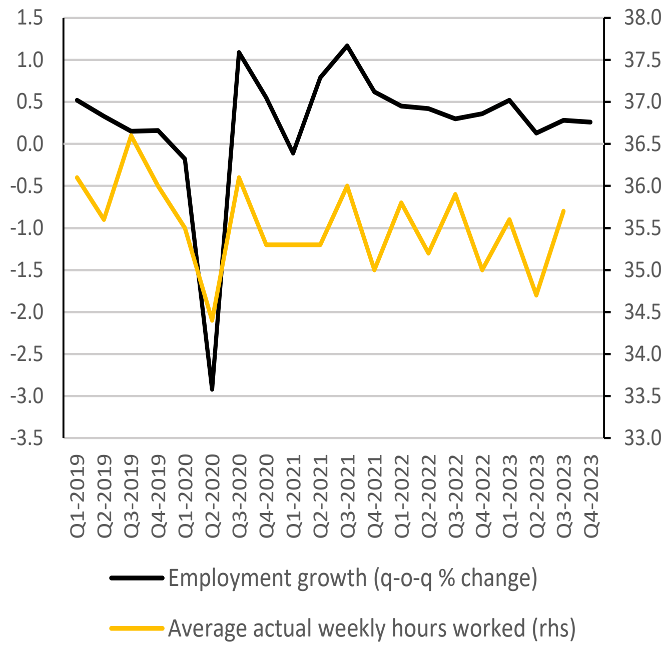
*…as well as in most major economies of the euro area. Germany saw a significant slowdown in labour cost growth in Q4 2023.*




Source: OECD. Latest observation: Q3 2023, except for Germany and Spain (Q4 2023).

### Employment and hours worked – euro area

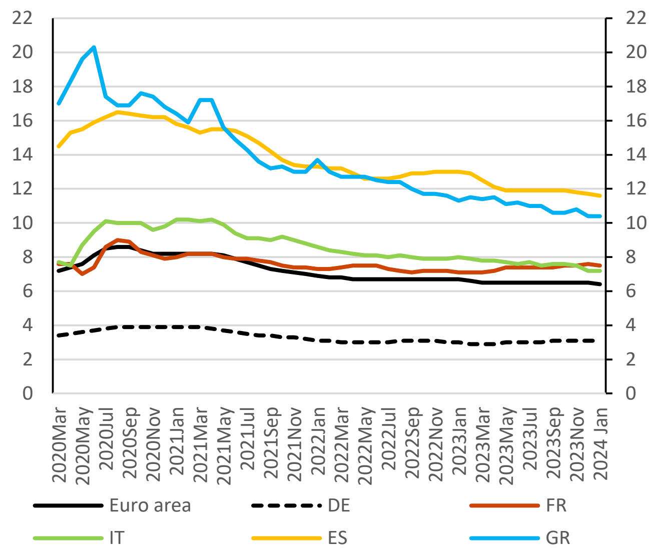
*Employment growth remains resilient.*




Source: Eurostat. Latest observation: Q3 2023 for hours worked and Q4 2023 for employment growth.

### Unemployment – selected euro area countries (%)

*In January, the rate of unemployment was broadly unchanged in euro area countries.*




Source: Eurostat. Last observation: January 2024.

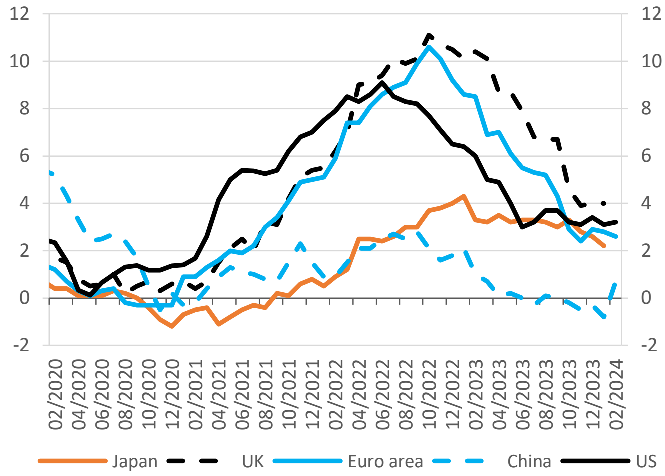
## Section 3: Global prices

- ***The disinflation process in all major advanced economies continues at slower pace, partly due to the fading downward base effects from energy prices on headline inflation. Core inflation declines but more gradually because of more persistent services inflation.***
- ***In recent weeks, crude oil prices remained broadly unchanged as OPEC+ production cuts and Middle East tensions were offset by rising supply from non-OPEC countries and tepid global demand. European natural gas prices hovered at low levels amid reduced gas consumption for heating and ample gas inventories. Prices of agricultural commodities declined slightly, while those for industrial metals edged up.***
- ***The attacks on vessels in the Red Sea/Gulf of Aden by Houthi rebels since mid-December 2023 led several containership companies to suspend transit through that region. As a result, the global sea container transportation costs more than doubled while the corresponding cost from China to Europe tripled compared to November 2023. Transit time between China – Europe will increase as vessels opt for the longer route via the Cape of Good Hope, but the one of China – USA may remain at its pre-pandemic level.***

### Headline consumer price inflation

(annual % change)

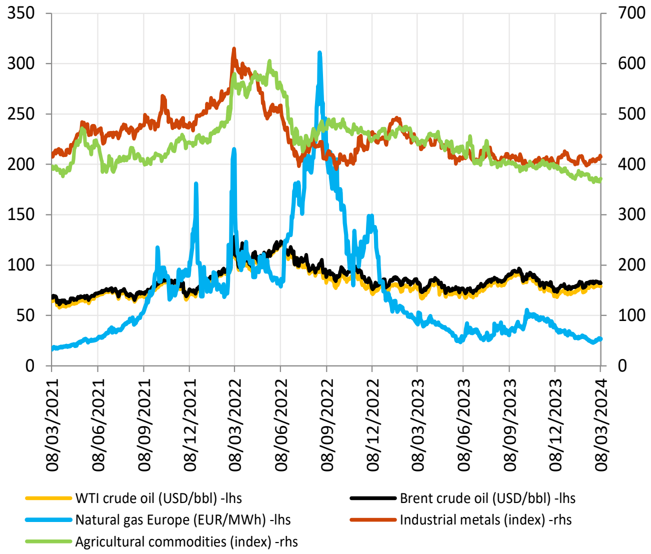
***In February, inflation moderated in the euro area, but ticked up in the US. China's inflation turned positive, rising to the highest rate in 11 months, amid higher demand relating to Lunar New Year holidays.***




**Sources: OECD, Eurostat, UK ONS. Latest observation: February 2024, except for Japan and the UK (January 2024).**

### Daily commodity prices

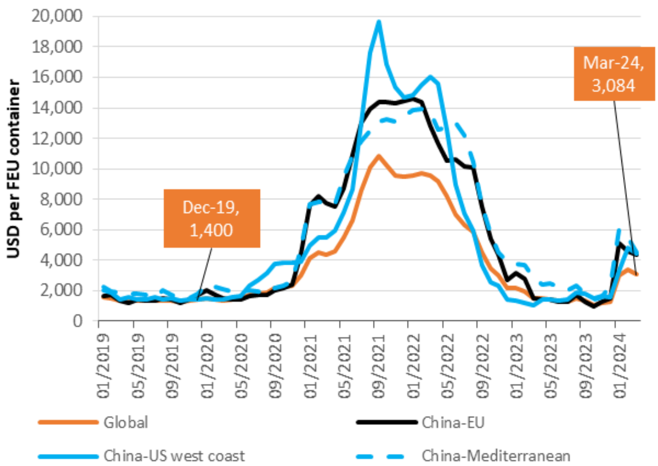
***Since last month, crude oil and European natural gas prices have moved sideways. Robust global supply somewhat lowered prices of agricultural commodities, while supply constraints in critical minerals, like copper, pushed industrial metals prices up.***




**Source: LSEG. Latest observation: 08.03.2024.**
Note: S&P Goldman Sachs Commodity spot price indices for industrial metals and agricultural commodities.

### Containers transportation cost - Freightos Index

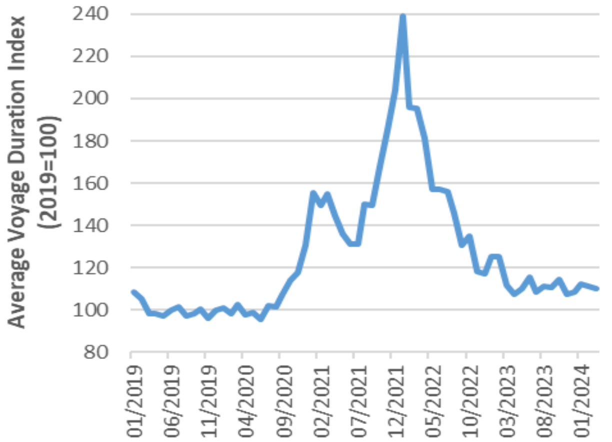
***Global sea transportation costs more than doubled due to Houthi rebels' attacks on vessels crossing the Red Sea.***




**Sources: Freightos and LSEG. Latest observation: 11.03.2024.**
Notes: Freightos Baltic Indices reflect the ocean container transport spot freight rates (port to port) for a standard forty-foot container (FEU). Monthly average of daily data.

### China-US West Coast containership voyage time

***The average voyage time has declined at a level close to its pre-pandemic level.***



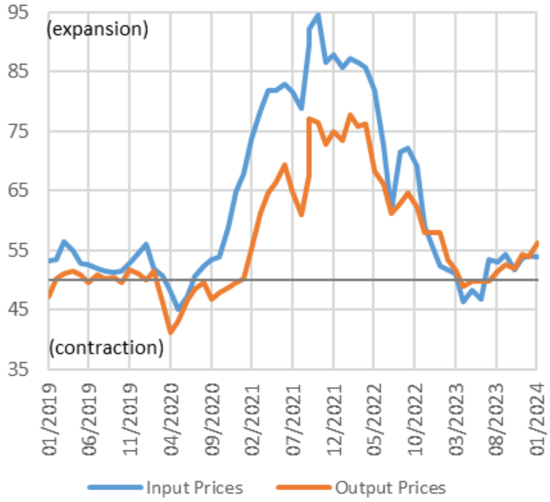

**Source: Clarkson Research Services. Bank of Greece's calculations. Latest observation: 15.02.2024.**

## Section 4: Leading price indicators

- ***PMI input prices rose in February 2024 due to higher shipping, transportation and raw material prices. Output price inflation was historically elevated, as more favourable demand conditions enabled firms to pass-through higher costs to customers.***
- ***Selling price expectations remain elevated, while there has been an easing of inflationary expectations in the industrial sector.***
- ***Consumer inflation expectations picked up again in Greece and the euro area.***

### PMI input and output prices in Greek manufacturing

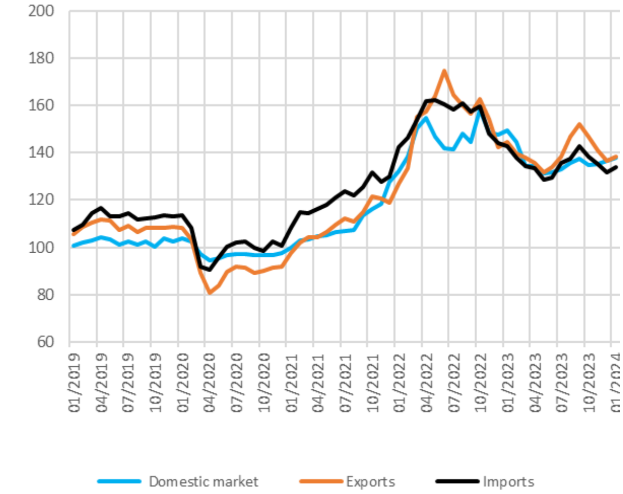
***Input and output prices picked up again over the last six months…***




**Source: IHS Markit. Latest observation: February 2024.**

### Producer Price Index components

***…with producer prices following the same upward path.***

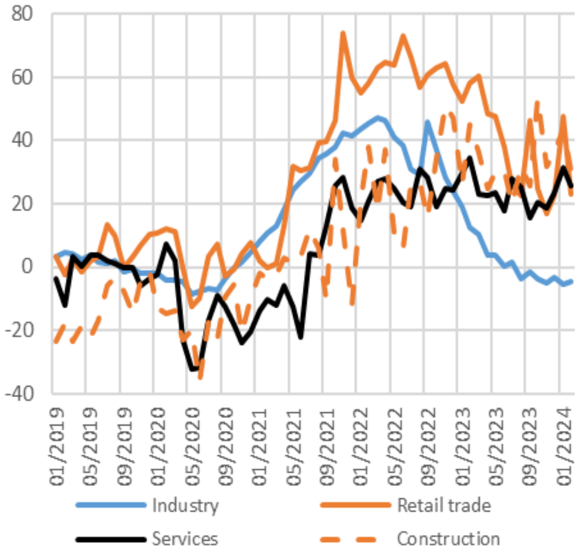



**Source: ELSTAT. Latest observation: December 2023.**

### Selling price expectations in business sectors

(for the next 3 months)

***Selling price expectations remain elevated in most of business sectors…***



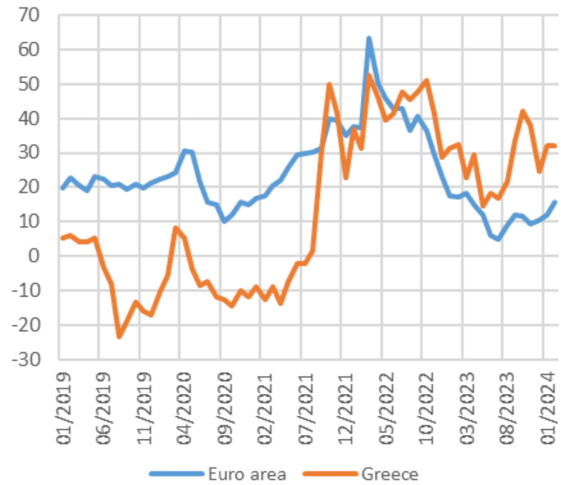

**Source: European Commission. Latest observation: February 2024.**

Note: Data are obtained from the closed-ended question about expectation of inflation over the next 3 months. The chart shows the net balances i.e. the share of consumers expecting higher inflation minus the share of consumers expecting lower inflation.

### Consumer price expectations

(for the next 12 months)

***…while consumers' price expectations picked up again in Greece and the euro area.***




**Source: European Commission. Latest observation February 2024.**

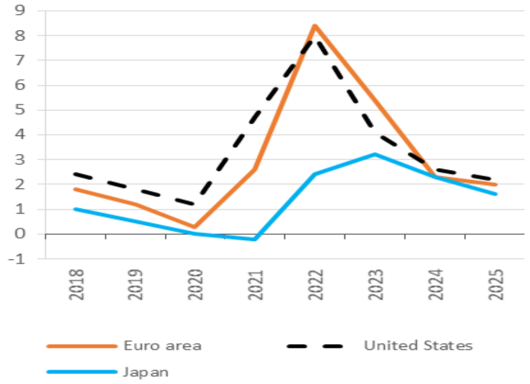
Note: Data are obtained from the closed-ended question about expectation of inflation over the next 12 months. The chart shows the net balances i.e. the share of consumers expecting higher inflation minus the share of consumers expecting lower inflation.

## Section 5: Inflation expectations

- ***Consensus Forecasts of inflation in February suggest declining inflation for most advanced countries for 2024-2025. Compared to the survey of the previous month, figures were revised marginally upwards for many advanced economies.***
- ***A new data release from the ECB's Consumer Expectations Survey (CES) shows that median inflation expectations in Greece over the next 12 months remained stable in January 2024 at 10.1%, as in December 2023. Median inflation expectations over the next 12 months in the euro area slightly increased from 3.2% in December 2023 to 3.3% in January 2024. Median inflation expectations three years ahead in Greece have significantly declined from 9.5% in December 2023 to 6.4% in January 2024. Median inflation expectations three years ahead in the euro area remained stable in January 2024 at 2.5%, as in December 2023.***
- ***It is noted that median consumer inflation expectations are significantly higher in Greece compared to the euro area and also significantly higher than current inflation. Some early research seems to indicate that the upward divergence of Greek households' inflation expectations vs those in the euro area could be attributed to the Greek households' pessimism about their own financial situation.[1]***
- ***In the last month market-based expected inflation, for a medium-term horizon, fell in the euro area and, less so, in the US (5-year breakeven inflation rates on 14.2.2024: EA: 1.90%, -6 bps vs 14.2.2024; US: 2.33%, -1 bps vs 14.2.2024); market-based expectations for inflation in the longer-term remained broadly unchanged (10-year breakeven inflation rates on 11.3.2024: EA: 1.98%, -3 bps vs 14.2.2024; US: 2.28%, -3 bps vs 14.2.2024). Real yields (i.e. yields on inflation-linked/inflation-protected notes) fell in both regions for long-term bonds, while real yields on EA medium-term notes rose (on 11.3.2024: EA-5y: 0.42%, EA-10y: 0.31%, +7 bps and -3 bps, respectively, vs 14.2.2024; US-5y: 1.76%, US-10y: 1.82% bps, -15 and -14 bps, respectively, vs 14.2.2024). Thus, overall, long-term nominal yields on benchmark bonds retreated and more so in the US than in the euro area (change vs 14.2.2024: DE-5y: 0 bps; DE-10y: -5 bps; UST-5y: -16 bps; UST-10y: -17 bps).***
- ***Market-based expectations for ECB rates indicate no moves from the current rate levels up to June 2024, when the ECB is expected with around 84% probability to proceed to its first 25 bps rate cut. The Fed is also expected to proceed to a 25 bps rate cut in June 2024 with a probability of around 70%. By the end of 2024, investors expect that both the ECB and the Fed will cut rates by at least 100 bps vis-à-vis the current level (probabilities for total rate cuts of 100 bps until the end of 2024, on 11.3.2024: ECB 73%; Fed 79%).***

### Consensus: Inflation expectations (I)

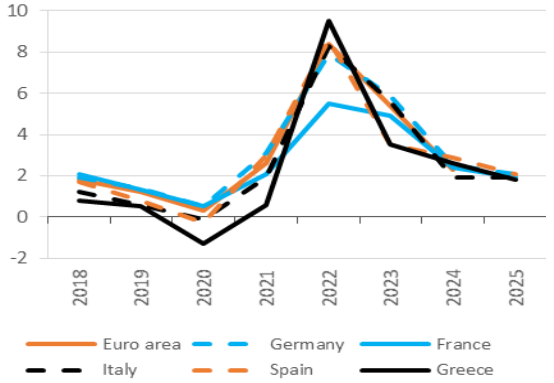
***Inflation to ease in 2023 in large economies…***




Source: Consensus Forecasts (February 2024).

### Consensus: Inflation expectations (II)

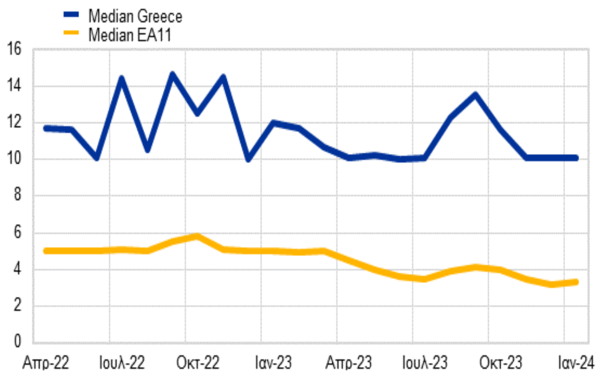
***… and in euro area countries.***




Source: Consensus Forecasts (February 2024).

### Consumer inflation expectations over the next 12 months – Greece vs EA

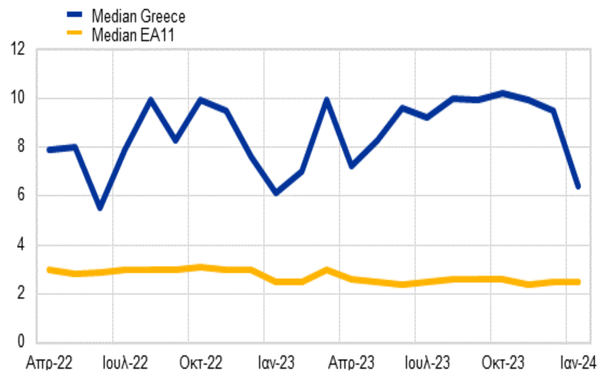
***Short-term inflation expectations in Greece remained stable, whereas in the EA slightly increased***




**Source: ECB Consumer Expectations Survey (CES).**
Note: Using weighted data. Median inflation expectations are obtained from the open-ended question about individuals' expectations of changes in prices in general over the next 12 months. The sample period is from April 2022 to January 2024.

### Consumer inflation expectations 3 years ahead - Greece vs EA

***Medium-term inflation expectations in Greece significantly decreased, whereas in the EA remained stable***

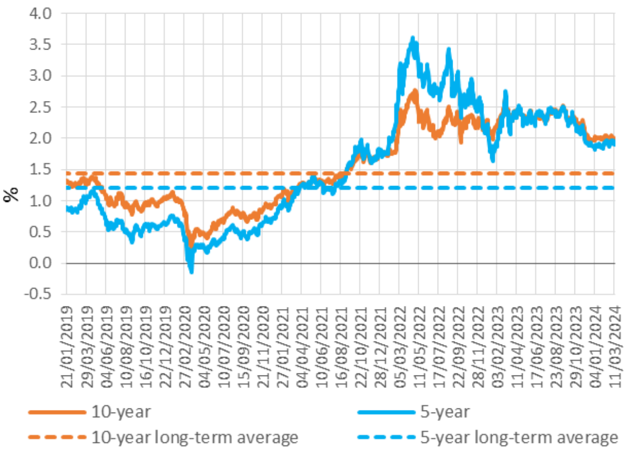



**Source: ECB Consumer Expectations Survey (CES).**
Note: Using weighted data. Median inflation expectations are obtained from the open-ended question about individuals' expectations of changes in prices in general between 2 and 3 years. The sample period is from April 2022 to January 2024.

[1] For more details see the Box titled "*Inflation expectations for Greek consumers: Evidence from the ECB Consumer Expectations Survey*", in Annual Governor's Report (forthcoming) which builds on Coibion, O., D. Georgarakos, Y. Gorodnichenko, and M. van Rooij (2023), "*How Does Consumption Respond to News about Inflation? Field Evidence from a Randomized Control Trial*", American Economic Journal: Macroeconomics, 15(3), 109-152.

## Euro-area breakeven inflation rates

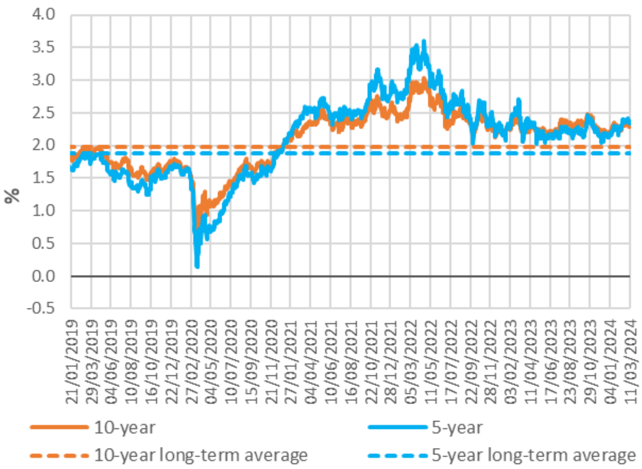
***Market-based expectations for euro-area inflation, over a medium-term horizon, fell somewhat over the last month, remaining well-anchored to the medium-term inflation target of 2%.***




**Sources: LSEG|, Bank of Greece. Latest observation: 11.03.2024.**
Note: The chart illustrates daily developments in the yield differential between nominal and inflation-linked EA benchmark bonds with a maturity of 5 (blue line) and 10 (orange line) years. The dotted lines indicate the average value of each series since 2013.

## US breakeven inflation rates

***Market-based expectations for US inflation, over a medium- to long-term horizon remained broadly unchanged over the last month, standing close to, but above, the 2% inflation target.***

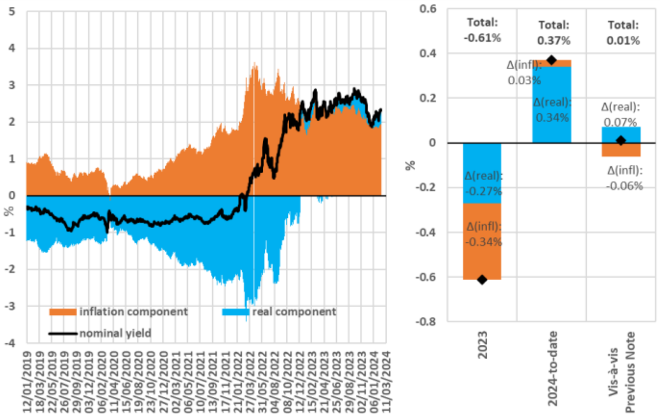



**Sources: LSEG, Bank of Greece. Latest observation: 11.03.2024.**
Note: The chart illustrates daily developments in the yield differential between nominal and inflation-linked US Treasury bonds with a maturity of 5 (blue line) and 10 (orange line) years. The dotted lines indicate the average value of each series since 2013.

## Euro area: Decomposition of nominal 5y yields into real yield and inflation component

***In the EA, real yields (i.e. inflation-linked bond yields which compensate investors for inflation) picked up recently, offsetting the reduction of the inflation-related component of nominal yields.***

**Left graph: levels (%) Right graph: changes (pp)**

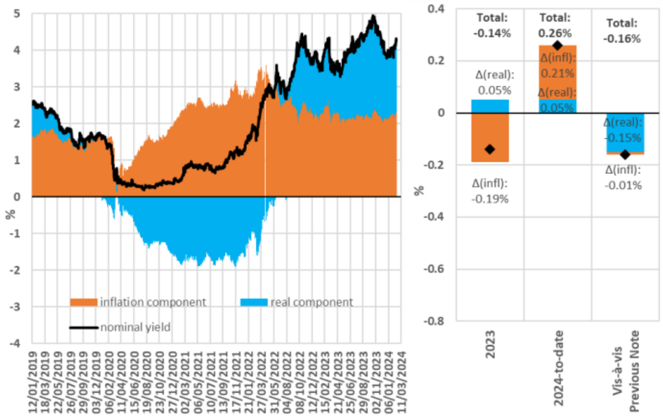



**Sources: LSEG, Bank of Greece. Latest observation: 11.03.2024.**
Note: The chart shows the decomposition of the 5-year EA benchmark bond yield (black line) into its real (blue bars) and inflation-linked (orange bars) components. The inflation component is the breakeven inflation rate and the real component is the yield of the bond that compensates bondholders for inflation (i.e. the 5-year German inflation-linked federal bond).

## US: Decomposition of nominal 5y yields into real yield and inflation component

***In the US, real yields (i.e. yields on US Treasury inflation-protected securities) were reduced as was the inflation-related component, thus contributing to an overall sizeable reduction of nominal bond yields.***

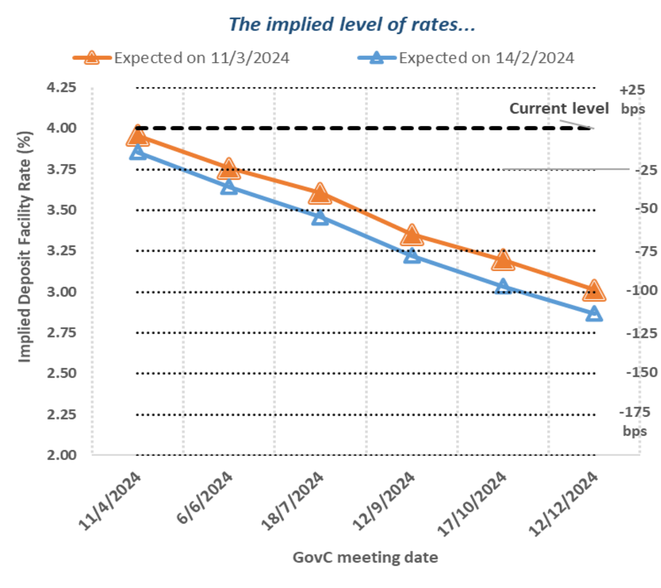
**Left graph: levels (%) Right graph: changes(pp)**



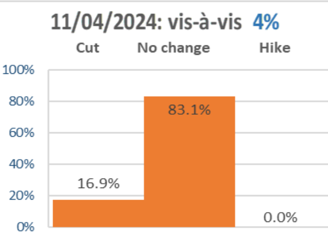

**Sources: LSEG, Bank of Greece. Latest observation: 11.03.2024.**
Note: The chart shows the decomposition of the 5-year US Treasury bond yield (black line) into its real (blue bars) and inflation-linked (orange bars) components. The inflation component is the breakeven inflation rate and the real component is the yield of the bond that compensates bondholders for inflation (i.e. the 5-year US Treasury Inflation-Protected Security).

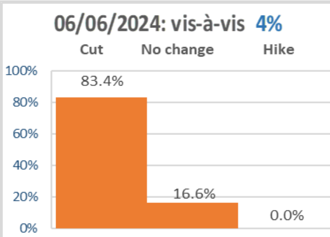
## Short-term rates in the euro area

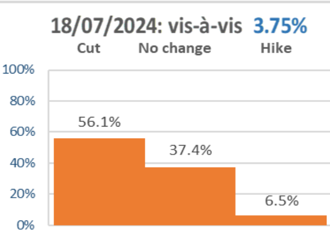
***Money markets expect that the ECB will begin cutting rates in June 2024, when a 25 bps rate cut is expected; by the end of 2024 a DFR 100 bps lower than today is expected.***

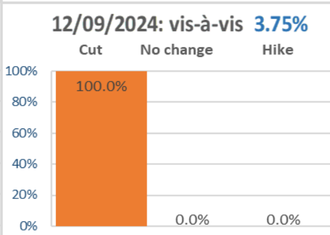


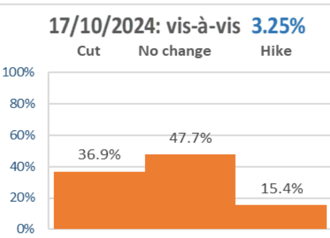

***...and the likelihood of moves per GovC meeting vis-à-vis the central probability for the rate at the previous meeting***

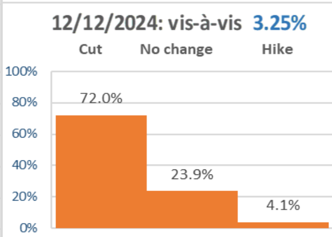


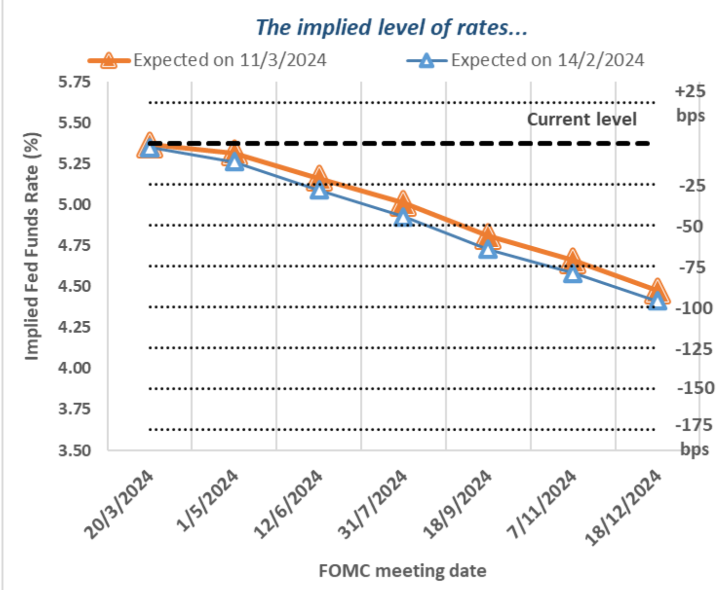



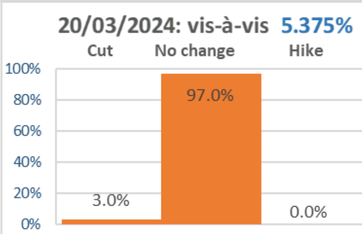



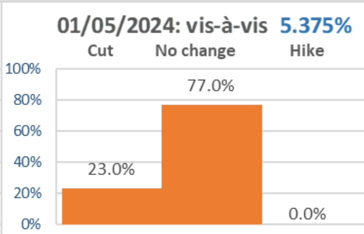

## Short-term rates in the US

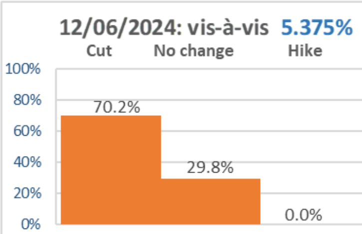
***Interest rate derivatives markets expect that the Fed will begin cutting rates in June 2024, when a 25 bps rate cut is expected; by the end of 2024 the FFR is expected to stand about 100 bps lower than today.***

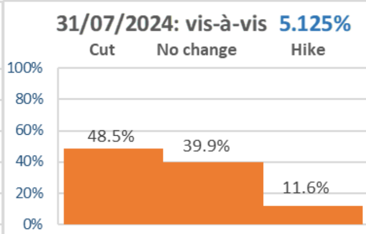


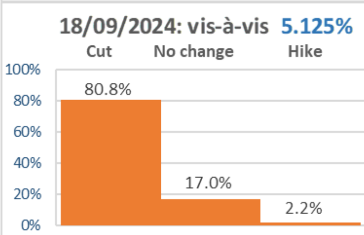

***...and the likelihood of moves per FOMC meeting vis-à-vis the central probability for the rate at the previous meeting***

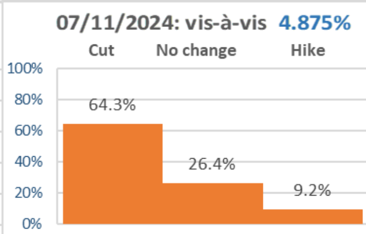


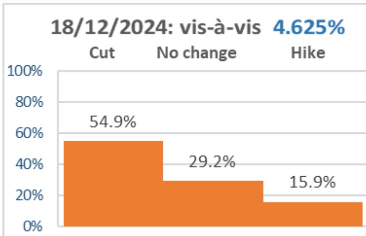




**Sources: LSEG and Bank of Greece. Latest observation: 11.03.2024.**

**Notes: Upper charts:** The orange line shows the most recent expectation about the level of the policy rate (ECB: Deposit Facility Rate, Fed: Fed funds rate), as implied by the OIS rates' yield curve (ECB) or the pricing in futures contracts (Fed) for each meeting from today until December 2024. The blue dotted line shows the expectation on average over the last 30 days. The horizontal axis shows the date of each meeting. The dashed lines show the present level of the policy rate and its expected level given the market's view about upcoming rate moves by the ECB (charts in the left) or the Fed (charts on the right). **Lower charts:** The bars show the level of likelihood (i.e. implied probabilities) for the event of a rate move (from left to right: cut, no change, hike). The eight graphs correspond to monetary policy meetings (GovC for the ECB and FOMC for the Fed) during 2023 and 2024. The probabilities for each move are calculated as the sum of the probabilities for rates lower, equal or higher, respectively, vis-à-vis the central probability for the rate at the previous meeting as inferred by the latest OIS yield curve (ECB) or futures contracts for different delivery dates (Fed).

## Section 6: Eurosystem' latest published inflation projections (March 2024)

***Euro area***

- ***Following a temporary uptick at the turn of the year, headline inflation is expected to resume its downward path, albeit with some volatility. This volatility is related to the upward and downward base effects in the energy component and a different timing of Easter compared to the previous year. Given declines in energy prices, the strength in labour cost developments should be the dominant driver of core inflation.***
- ***Nominal wage growth is set to remain at relatively elevated levels driven by a persistently tight labour market but should gradually ease over the projection horizon as upward impacts from inflation compensation gradually fade. A rebound in productivity growth should support the moderation in labour costs growth. Profit growth is set to weaken over the projection horizon, providing a buffer to the pass-through of labour costs.***
- ***Given the weak outlook for energy inflation, headline inflation is expected to remain below HICP inflation excluding energy and food throughout the projection horizon.***

***Greece***

- ***Headline inflation eased notably in 2023, reflecting the large reduction in energy prices, while core inflation (HICP excluding energy and food) rose.***
- ***In 2024, headline and core inflation are projected to decelerate further, averaging 2.8% and 3.0%, respectively. This development is expected on the back of further declines in the annual rates of change of food components, non-energy industrial goods, services and energy prices.***
- ***Inflation is projected to gradually decelerate further in 2025 and 2026, with negative energy inflation and decelerating rates in food, non energy industrial goods (NEIG) and services. Lower profit margins are expected to absorb part of the effect of high wage growth on inflation.***

**ECB staff macroeconomic projections exercise, March 2024**

**Euro area**

| | HICP | HICP ex energy and food | HICP energy |
|---|---|---|---|
| | | Rate of changes | |
| 2023 | 5.4 | 4.9 | -2 |
| 2024 | 2.3 | 2.6 | -1.6 |
| 2025 | 2 | 2.1 | 0.5 |
| 2026 | 1.9 | 2 | 0.6 |

**Greece**

| | HICP | HICP ex energy and food | HICP energy |
|---|---|---|---|
| | | Rate of changes | |
| 2023 | 4.2 | 5.3 | -13.4 |
| 2024 | 2.8 | 3 | -2.6 |
| 2025 | 2.2 | 2.3 | 0.9 |
| 2026 | 2.1 | 2.2 | 0.4 |

## Table of news and statements on inflation (period: 21/2/2024-14/3/2024)

***Statements by central bankers and other officials***

***7.3.2024: ECB President Christine Lagarde (Monetary Policy Statement, link) :*** *"The Governing Council today decided to keep the three key ECB interest rates unchanged. Since the last Governing Council meeting in January, inflation has declined further. In the latest ECB staff projections, inflation has been revised down, in particular for 2024 which mainly reflects a lower contribution from energy prices. […] Based on its current assessment, the Governing Council considers that the key ECB interest rates are at levels that, maintained for a sufficiently long duration, will make a substantial contribution to this goal. […] ".*

***6.3.2024: Fed Chair Jerome Powell (Testimony before the Committee on Financial Services, U.S. House of Representatives, link) :*** *"[…] We believe that our policy rate is likely at its peak for this tightening cycle. If the economy evolves broadly as expected, it will likely be appropriate to begin dialing back policy restraint at some point this year. But the economic outlook is uncertain, and ongoing progress toward our 2 percent inflation objective is not assured. Reducing policy restraint too soon or too much could result in a reversal of progress we have seen in inflation and ultimately require even tighter policy to get inflation back to 2 percent. At the same time, reducing policy restraint too late or too little could unduly weaken economic activity and employment. In considering any adjustments to the target range for the policy rate, we will carefully assess the incoming data, the evolving outlook, and the balance of risks. The Committee does not expect that it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. […]".*

***26.2.2024: ECB President Christine Lagarde (Speech at the plenary session of the European Parliament, link):*** *[…] Wage pressures, meanwhile, remain strong. Wage growth is expected to become an increasingly important driver of inflation dynamics in the coming quarters, reflecting employee demand for inflation compensation and tight labour markets. At the same time, the contribution of profits – which has recently accounted for much of the increase in domestic cost pressures – is declining, suggesting that, as expected, labour cost increases are partly buffered by profits and are not being fully passed on to consumers. Regarding your concerns about the risks of second-round effects, as mentioned in your draft resolution, let me emphasise that our restrictive monetary policy stance, the ensuing strong decline in headline inflation and firmly anchored longer-term inflation expectations act as a safeguard against a sustained wage-price spiral. […]*

***Data releases***

| Date | Announcement | Actual | Expected | Actual vs Expected | Previous reading |
|---|---|---|---|---|---|
| 22 February | Italy CPI (%ΔYoY Jan. Final) | **0.80%** | 0.80% | 0 | 0.80% (flash) |
| 22 February | Italy HICP (%ΔYoY Jan. Final) | **0.90%** | 0.90% | 0 | 0.90% (flash) |
| 22 February | EA HICP (%ΔYoY Jan. Final) | **3.10%** | 3% | +0.10% | 3.40% (flash) |
| 22 February | EA HICP excl. food, energy, alcohol, tobacco (%ΔYoY Jan. Final) | **3.30%** | 3.30% | 0 | 3.30% |
| 29 February | France HICP (%ΔYoY Feb. Preliminary) | **3.10%** | 3% | +0.10% | 3.40% |
| 29 February | Germany CPI (%ΔYoY Feb. Preliminary) | **2.50%** | 2.60% | -0.10% | 2.90% |
| 29 February | Germany HICP (%ΔYoY Feb. Preliminary) | **2.70%** | 2.70% | 0 | 3.10% |
| 29 February | US Core PCE (%ΔYoY Jan.) | **2.80%** | 2.80% | 0 | 2.90% |
| 29 February | US PCE (%ΔYoY Jan.) | **2.40%** | 2.40% | 0 | 2.60% |
| 1 March | EA HICP (%ΔYoY Feb. Flash) | **2.60%** | 2.50% | +0.10% | 2.80% |
| 1 March | EA HICP excl. food, energy, alcohol & tobacco (%ΔYoY Feb. Flash) | **3.10%** | 2.90% | +0.20% | 3.30% |
| 1 March | Italy CPI (%ΔYoY Feb. Preliminary) | **0.80%** | 0.90 | -0.10% | 0.80% |
| 1 March | Italy HICP (%ΔYoY Feb. Preliminary) | **0.90%** | 1.00% | -0.10% | 0.90% |
| 8 March | Greece HICP (%ΔYoY Feb.) | **3.10%** | - | - | 3.20% |
| 8 March | Greece CPI (%ΔYoY Feb.) | **2.90%** | - | - | 3.10% |
| 12 March | Germany CPI Final (%ΔYoY Feb.) | **2.50%** | 2.50% | 0 | 2.50% (flash) |
| 12 March | Germany HICP Final (%ΔYoY Feb.) | **2.70%** | 2.70% | 0 | 2.70% (flash) |
| 12 March | United States Core CPI (%ΔYoY Feb.) | **3.80%** | 3.70% | +0.10% | 3.90% |
| 12 March | United States CPI (%ΔYoY Feb.) | **3.20%** | 3.10% | +0.10% | 3.10% |
| 14 March | United States PPI Final Demand (%ΔYoY Feb.) | **1.6%** | 1.1% | +0.5% | 1% |

*Source: LSEG.*

*Disclaimer*



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