

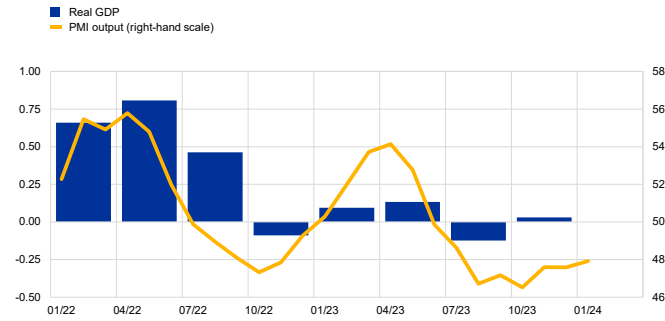


Introductory statement in charts

ECON hearing with the ECB President on 15 February 2024

Real GDP growth and PMI

(left-hand scale: quarter-on-quarter percentage changes; right-hand scale: diffusion index)



Sources: Eurostat and S&P Global.
 Notes: Purchasing Managers' Indices (PMIs) reflect whether purchasing managers perceive output to be higher (>50), lower (<50) or unchanged (=50) since the previous month. The latest observations are for the fourth quarter of 2023 for GDP and January 2024 for PMI.

Economic activity

After strong growth in 2022, euro area economy activity has been weak. Real GDP growth stagnated in the final quarter of 2023.

- The weakness in activity is broad-based across sectors, extending from construction and manufacturing to services.
- Incoming data continue to signal subdued activity in the near term but an upturn thereafter.
- Forward-looking survey indicators point to a pick-up in the year ahead.

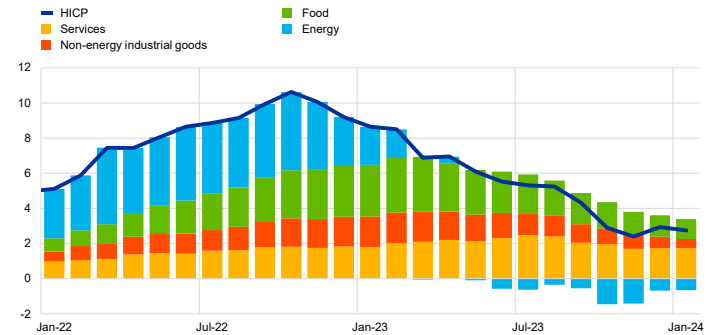
Inflation

Inflation fell substantially in 2023 and continued to decline in January 2024.

- Inflation stood at 2.8% in January after rising by 0.5 percentage points to 2.9% in December. The rebound in December had been widely expected but was weaker than anticipated.
- Food inflation eased further to 5.7% in January due to a lower inflation rate for processed food.
- Inflation excluding energy and food declined marginally; goods prices fell further, while services prices showed signs of persistence.

HICP inflation

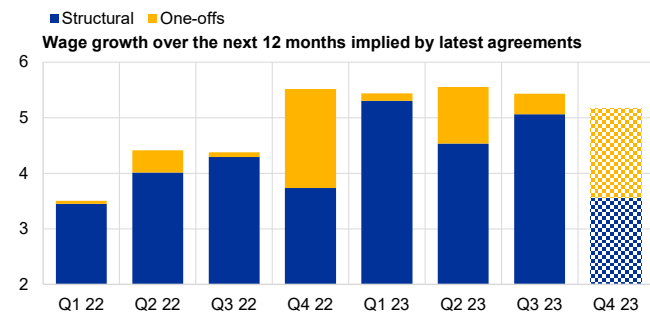
(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.
 Note: The latest observations are for January 2024 (flash estimate).

ECB wage tracker

(annual percentage changes; percentage point contributions)



Sources: Calculated on the basis on micro data on wage agreements provided by Deutsche Bundesbank, Banque de France, Banca d'Italia, Banco de España, the Dutch employer association (AWVN), Oesterreichische Nationalbank and Bank of Greece.
 Notes: The indicator reflects wage growth in the agreements reached in a certain quarter over the 12 months after an agreement. One-offs payments are spread over 12 months from the agreed disbursement date - smoothing their impact on wage growth. The data on the latest agreements for Q4 2023 are preliminary as not all collective agreements reached in Q4 2023 are available yet.

Wage developments

The ECB's forward-looking tracker continues to signal strong wage pressures but latest agreements indicate some levelling-off.

- Wage growth measures have largely been moving sideways in recent quarters. Wage growth is projected to have peaked in the second half of 2023. However, data revisions have recently been larger than in the past, making forecasts uncertain.
- Wage pressures for 2024 hinge particularly on the outcome of ongoing or upcoming negotiation rounds that affect a large share of euro area employees covered by collective wage bargaining.

WANT TO KNOW MORE?

- [Monetary Policy Statement](#), ECB Press Conference, 25 January 2024



25 years of the euro

Simplicity

The euro makes it simple to live, travel and do business throughout the euro area.

- The single currency allows consumers and firms to compare prices directly and make cross-border payments. It also eliminates exchange rate fluctuation costs within the euro area.
- This in turn facilitates trade, cross-border investment and economic prosperity.

These benefits are reflected in consistently strong support for the euro, which is currently near record highs.

Stability

Over the past 25 years longer-term inflation expectations have remained broadly anchored around the ECB's inflation target despite recent fluctuations and price shocks.

- Euro area HICP inflation has averaged 2.1% since 1999, while core inflation has averaged 1.6%.
- Median longer-term inflation expectations have hovered around 2.0% since 1999.

Firmly-anchored inflation expectations are crucial for price and wage-setting in the economy and are a testimony to the ECB's credibility.

Sovereignty

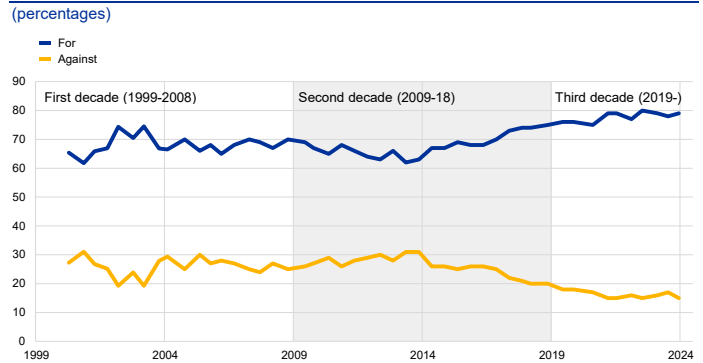
The euro is the second most important global currency.

- The share of the euro in official foreign exchange reserves has averaged close to 20% since 1999.
- The international role of the euro provides protection and resilience in an increasingly turbulent world.

The euro's international currency status should not be taken for granted.

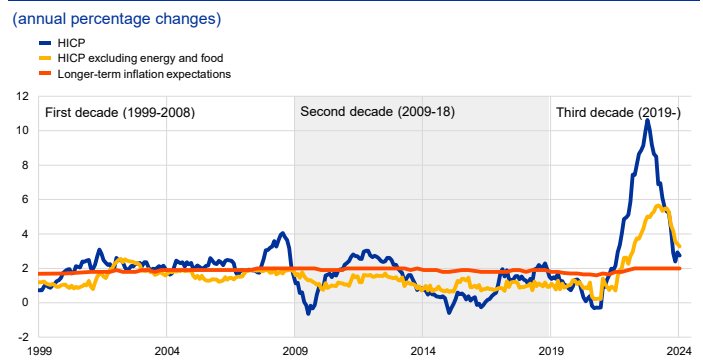
- The new geopolitical landscape increases the onus on European policymakers to create the conditions for the euro to thrive. This includes sound policies and completing Economic and Monetary Union.

25 years of support for the euro



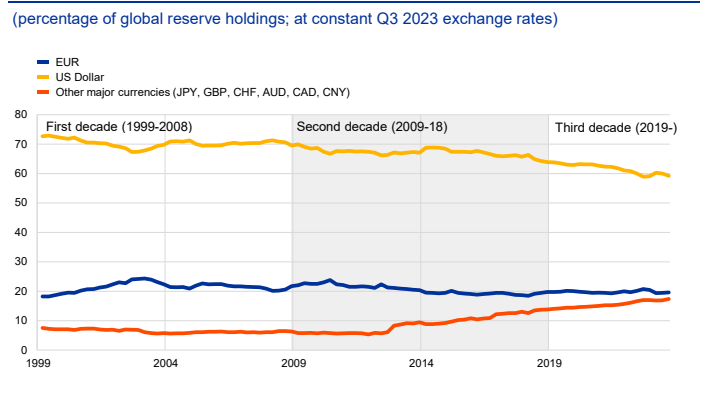
Source: Eurobarometer.
 Note: The chart shows the share of euro area respondents answering "for" and "against" to the following question: "Please tell me whether you are for or against it: A European Economic and Monetary Union with one single currency, the euro". "Don't know" answers have been excluded.

25 years of anchored inflation expectations



Sources: Eurostat, ECB Survey of Professional Forecasters (SPF) and ECB calculations.
 Notes: Longer-term inflation expectations shows median point forecast measured in the SPF. The latest observations are for January 2024 (flash estimate) for HICP and HICP excluding energy and food and for the first quarter of 2024 for the SPF.

25 years of the euro as a global reserve currency



Sources: IMF and ECB calculations.
 Notes: The chart shows the share of the euro, US dollar and other currencies in global official holdings of foreign exchange reserves. The latest observation is for the third quarter of 2023.

WANT TO KNOW MORE?

- [Euro at 25: the value of unity in a changing world](#), The ECB Blog, 30 December 2023