

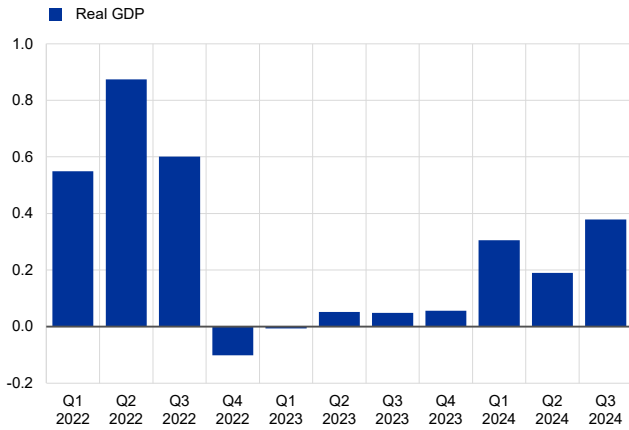


Introductory statement in three charts

ECON hearing with the ECB President on 4 December 2024

Real GDP growth

(quarter-on-quarter percentage change)



Source: Eurostat.
Note: Flash estimate for the third quarter of 2024.

Economic activity

Real GDP grew in the first three quarters of 2024, following five quarters of stagnation.

- Growth in the first half of 2024 was moderate, driven by exports and government consumption. Domestic private demand remained weak.
- Real GDP rose by 0.4% in the third quarter, driven in part by temporary factors such as the Paris Olympics.

Survey data suggest that growth will be weaker in the short term. However, the economic recovery should gather some steam in the medium term.

- Domestic demand should gradually recover as real incomes rise and the impact of past tightening fades.
- But there are large downside risks, including the high geopolitical and trade policy uncertainty.

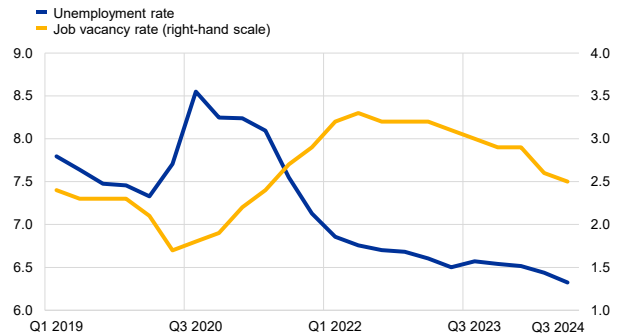
Labour market

The labour market has so far proven resilient, but there are increasing signs of softening labour demand.

- Unemployment remained at historically low levels (6.3% in October, the same as in September).
- Employment continues to expand - by 300,000 additional jobs in the third quarter.
- A decline in the job vacancy rate to 2.5% in the third quarter indicates a softening in labour demand. Early indicators point to further softening in the fourth quarter.

Unemployment and job vacancy rate

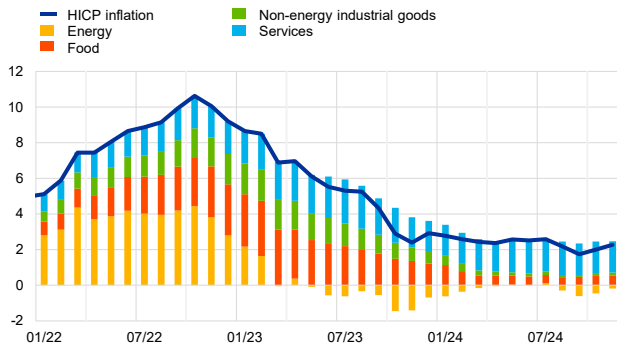
(left-hand scale: percentage of labour force; right-hand scale: percentage)



Source: Eurostat.

Inflation

(annual percentage changes and percentage point contributions)



Sources: Eurostat.
Note: Flash estimate for November 2024.

Inflation

Euro area inflation is on a disinflationary path, with some expected volatility in recent months.

- Inflation rose to 2.3% in November, up from 2.0% in October. The increase was mostly driven by an expected moderation in the fall in energy prices.
- Inflation excluding energy and food remained at 2.7% in November and is expected to hover around current levels until early 2025.
- After a temporary increase, inflation is expected to decline to our 2% target in the course of next year.

WANT TO KNOW MORE?

- [Monetary policy statement](#), ECB press conference, 17 October 2024



Topic 1: Monetary policy stance

The ECB has been dialling back its restrictive monetary policy stance.

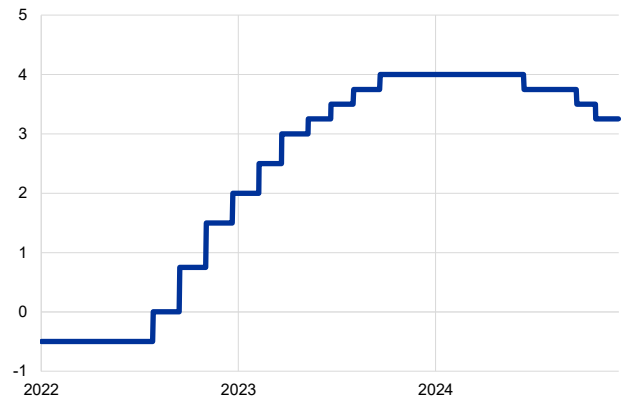
- The ECB steers the monetary policy stance through the deposit facility rate.
- At its most recent Governing Council meeting in October, the ECB lowered the deposit facility rate by another 25 basis points, to 3.25%, as new data available at the time confirmed that the disinflationary process was well on track.

The Governing Council will review its stance at its monetary policy meeting on 12 December.

- The Governing Council is not pre-committing to a particular rate path.

Deposit facility rate

(percentages)



Source: ECB.

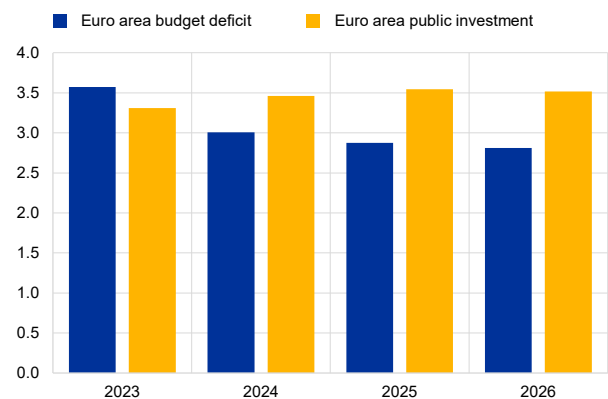
Topic 2: Economic governance framework

The new economic governance framework strikes a balance between ensuring debt sustainability and fostering strategic investments and growth-enhancing reforms.

- Fiscal policy plays an important role in addressing Europe's substantial investment and reform needs.
- The new economic governance framework, which focuses on debt sustainability, should help expand the fiscal space for public investment and reforms by allowing Member States longer adjustment periods.
- Effective implementation can help to reduce debt, thereby further increasing the space for strategic investments at national and European level.
- Public investments should be flanked by economic, financial and structural reforms to ensure that Europe achieves its strategic objectives. Well-defined joint EU investments would allow harnessing economies of scale and addressing cross-border challenges.

Budget deficits and public investment

(percentage of GDP)



Source: ECB calculations based on European Commission 2024 Autumn Forecast (AF).
Notes: Projections of public deficit and public investment are based on 2024 AF.

WANT TO KNOW MORE?

- [The path to the reformed EU fiscal framework: a monetary policy perspective](#), Occasional Paper Series, No 349, ECB, May 2024
- [Mind the gap: Europe's strategic investment needs and how to support them](#), The ECB Blog, 27 June 2024