

NINETY-FIFTH INTERNATIONAL ATLANTIC ECONOMIC CONFERENCE

DISTINGUISHED ADDRESS

IGNAZIO VISCO

GOVERNOR OF THE BANK OF ITALY

“Inflation Expectations and Monetary Policy in the Euro Area”

22-25 MARCH 2023



BANCA D'ITALIA
EUROSISTEMA



95th International Atlantic Economic Conference

Robert Mundell Distinguished Address

Inflation expectations and monetary policy in the euro area

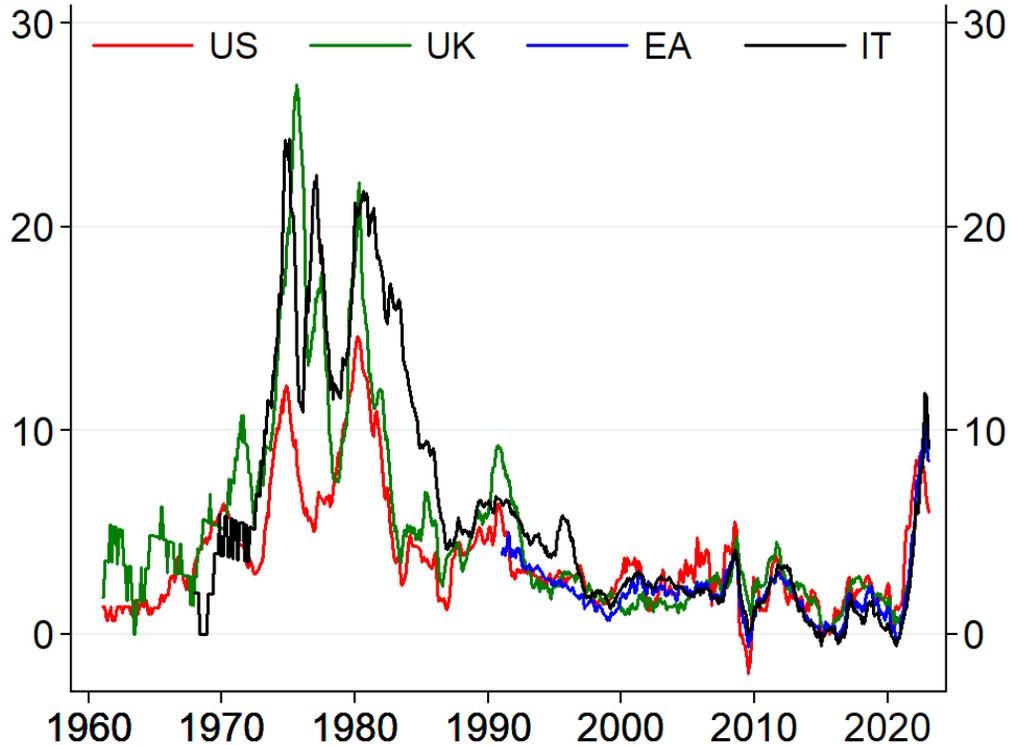
Ignazio Visco

Governor of the Bank of Italy

23 March 2023

Inflation

(monthly data; annual percentage changes)



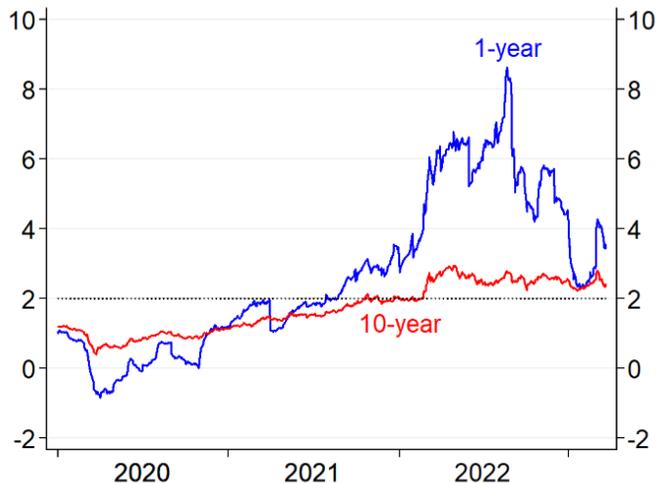
Inflation is back!

Market-based inflation expectations in the euro area (per cent)

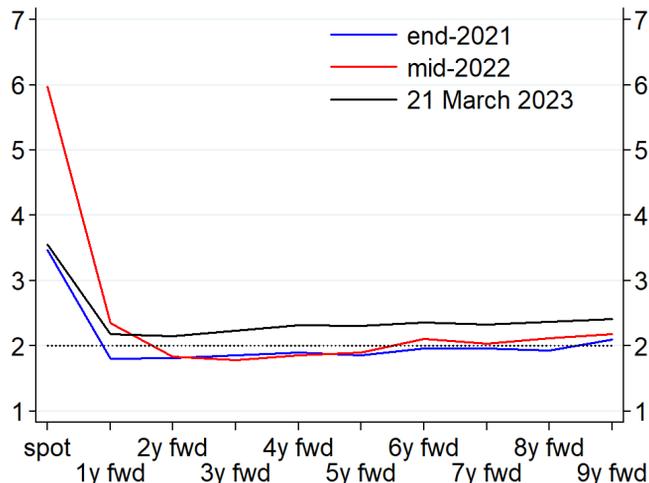


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Inflation-linked swaps, spot rates



Inflation-linked swaps, 1-year forward rates



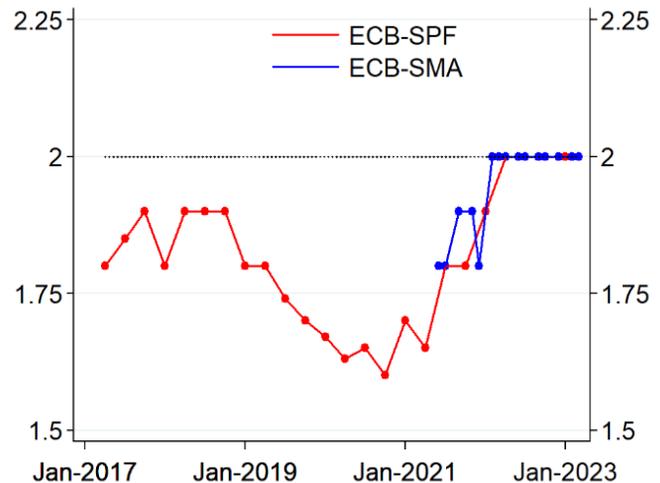
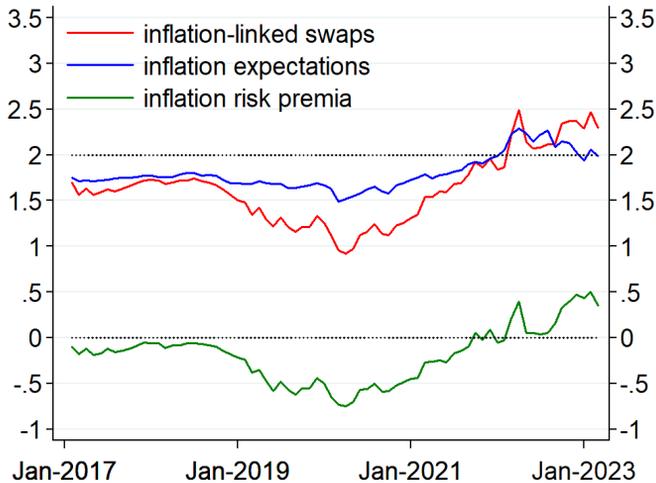
Expectations are declining

Long-term inflation expectations in the euro area (per cent)



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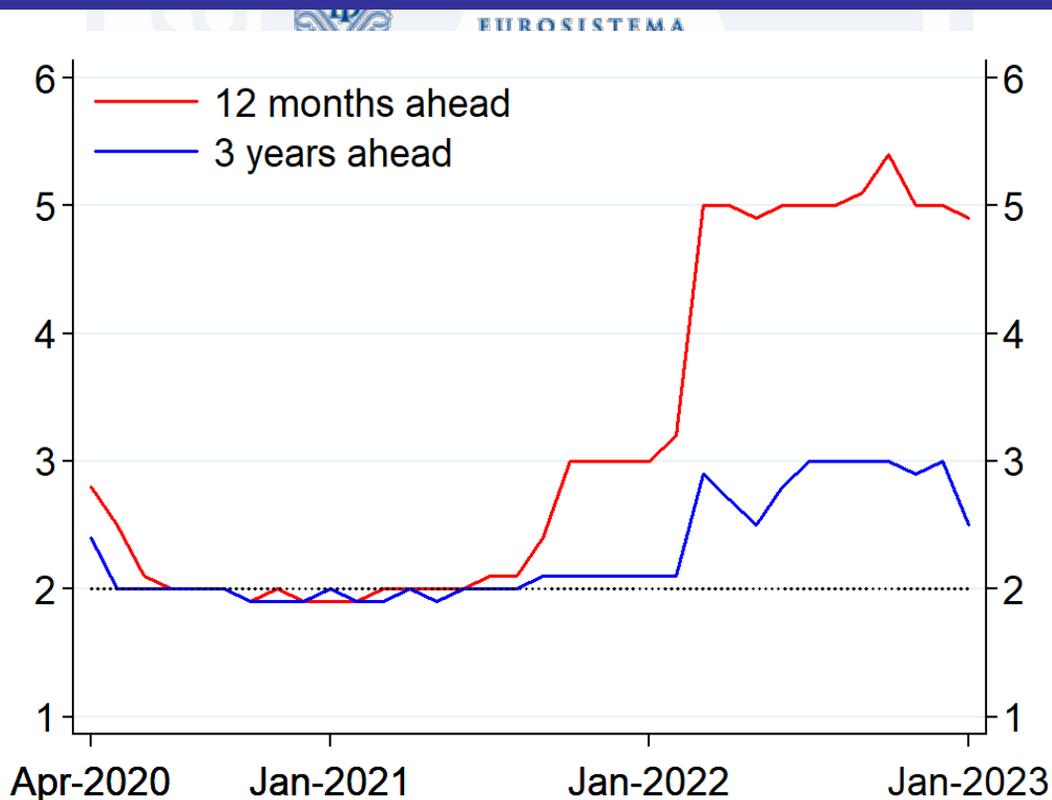
Inflation-linked swaps, 5-year, 5 years forward Surveys among experts



Long-term expectations well anchored

Consumers' inflation expectations in the euro area

(monthly data; per cent; median)



Signs of decline also from consumers

Firms' pricing intentions in the euro area

(monthly data; percentage balance of responses)



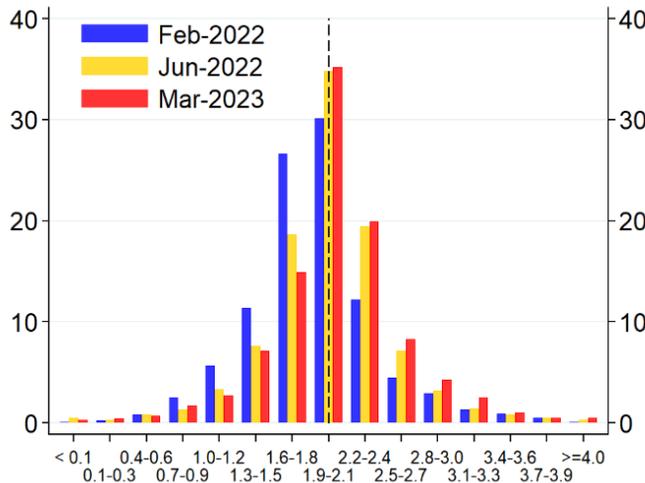
Firms' pricing intentions are also falling

Inflation tail risks in the euro area (per cent)

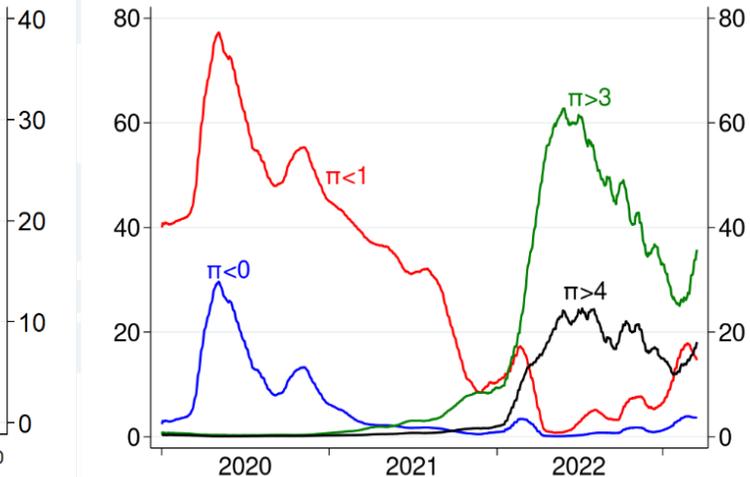


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Survey-based probability distributions



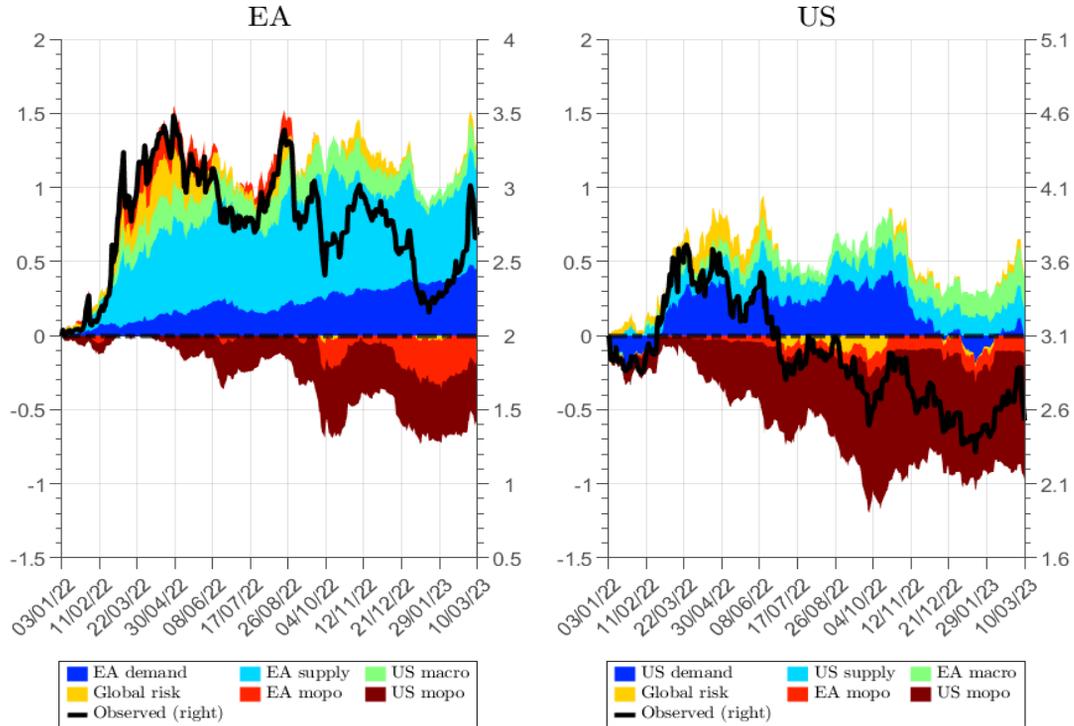
Probabilities from inflation options



Tail risks are moderately skewed on the upside

Drivers of changes in inflation expectations

(daily data; percentage changes)



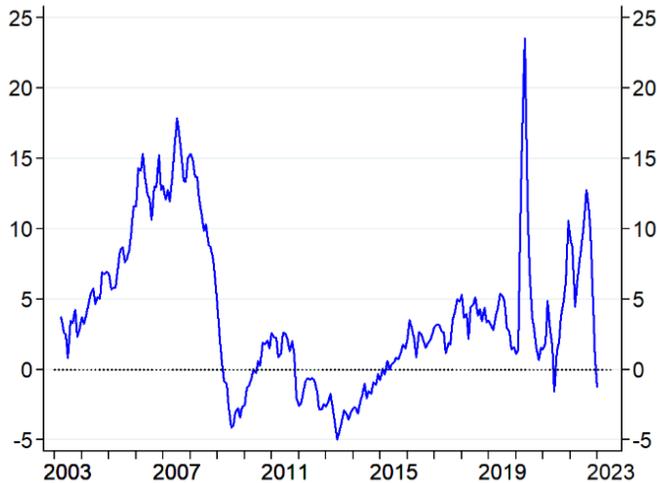
Medium-term inflation expectations in EA mostly due to supply shocks and countered by monetary policy

Credit and money growth in the euro area (percentage changes)

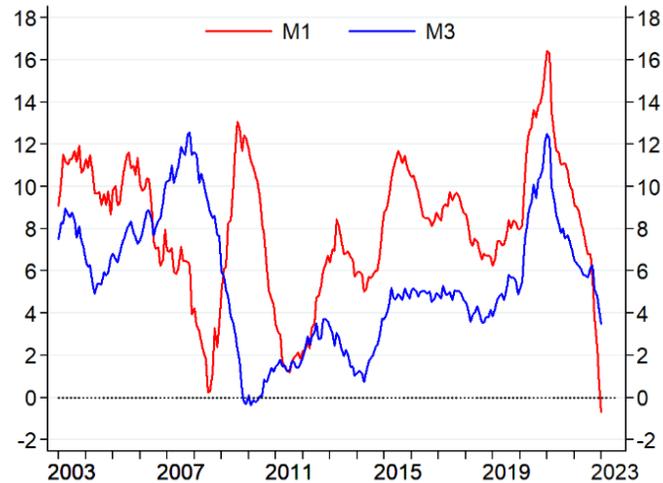


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Credit to firms



M1 and M3



Credit and money growth are now falling



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