



# INFLATION MONITOR

April 15, 2024

Economic Analysis and Research Department

## Macroeconomic indicators:

- **Annual HICP headline inflation in the euro area declined slightly** to 2.4% in March 2024 from 2.6% in February. This development reflects easing inflation for the food components and non-energy industrial goods. Core inflation (HICP excluding energy and food) also declined to 2.9% in March 2024 from 3.1% in February. **Annual CPI inflation in the US rose to 3.5%** in March 2024, from 3.2% in February. Core CPI inflation stood at 3.8% in March 2024, matching February's reading. **Annual HICP headline inflation in Greece increased** to 3.4% in March 2024 from 3.1% in February. Higher annual rates were posted by non-energy industrial goods and services. Unprocessed food inflation in Greece remains significantly higher than in the euro area. Core inflation also increased to 3.4% in March 2024 from 3.0% in February due to higher annual rates in both its components.
- Sea container transportation costs from China to Europe have more than doubled compared to November 2023 due to Houthi rebels' attacks on vessels crossing the Red Sea.

## Market-based indicators:

- **Euro area and US nominal bond yields rose**, vis-à-vis one month ago, mainly due to a rise in market-based expectations for inflation; the rise was more pronounced in the U.S. where real yields also rose.
  - In the **euro area**, nominal yields rose mildly over the past month, as the rise in market-based expectations for inflation was partly offset by a decline in real yields.
  - In the **US**, the rise in the nominal yields reflects rising market expectations about both economic activity and inflation.
- **Market-based expectations on policy rates set by the ECB and the Fed have been revised upwards over the past month:**
  - **The ECB is expected to keep rates steady at 4% (DFR) up to June 2024** when a rate cut by 25 bps is discounted with 75% likelihood, down from 83% probability one month ago; markets now expect that the ECB will cut rates by no more than 75 bps (68% probability) in total during 2024, revising their previous near-certainty expectation for total rate cuts of 100 bps.
  - **With US inflation coming out higher-than-expected, the Fed is now expected to keep the Fed funds rate (FFR) at its current range of 5.25%-5.5% probably until September 2024**, at which time a rate cut by 25 bps is seen likely, constituting a revision vis-à-vis expectations one month ago when a rate cut in June was seen as highly likely. By the end of 2024, the Fed funds rate is now expected with roughly equal probabilities to stand either 50 or 25 bps lower than today, while one month ago markets expected rate cuts of a total of 100 bps.

## Key statements and news:

- **The Governing Council of the ECB, at its meeting on 11.4.2024, decided to keep the three key interest rates unchanged** (deposit facility rate: 4%, main refinancing operations: 4.5%, the marginal lending facility rate: 4.75%).
- **The FOMC statement, on 20.3.2024, maintained the target range for the Fed funds rate unchanged at 5.25%-5.5% for 2024.** In the Summary of Economic Projections, FOMC members' median projection for the FFR for 2024-end was left unchanged at 75 bps below the current rate.
- **Fed Chair Jerome Powell** stated that *"given the strength of the economy and progress on inflation so far, we have time to let the incoming data guide our decisions on policy"*.
- **ECB President Christine Lagarde** outlined, in a speech at the ECB and its Watchers XXIV Conference on 20 March, that wage growth, profit margins and productivity growth are the *"three domestic factors that will be decisive to ensuring that the inflation path evolves as we project"*.

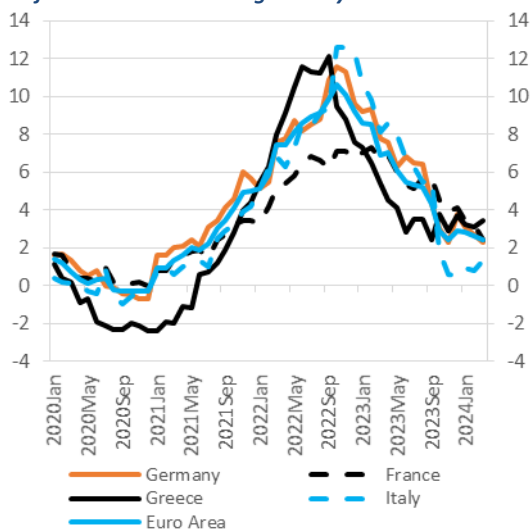
**Section 1: HICP developments**

- *Inflationary pressures in the euro area eased significantly in the course of 2023, oscillated in the last quarter of the previous year and fell in the first three months of 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 increased in March 2024.*

**HICP Headline inflation for selected euro area countries**

(annual % changes)

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



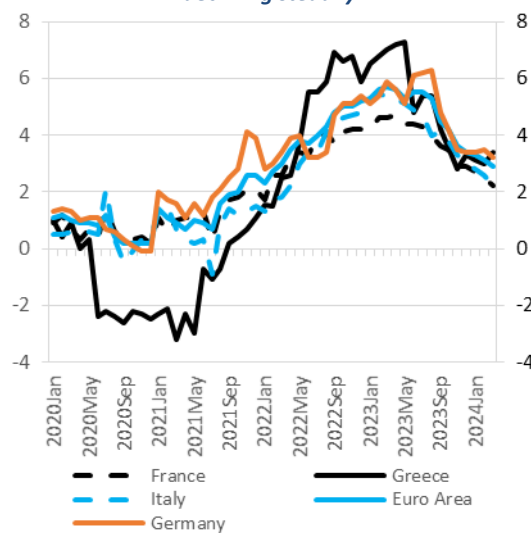
Source: Eurostat. Latest observation: March 2024.

**Core inflation for selected euro area countries**

HICP excluding energy & food)

(annual % changes)

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

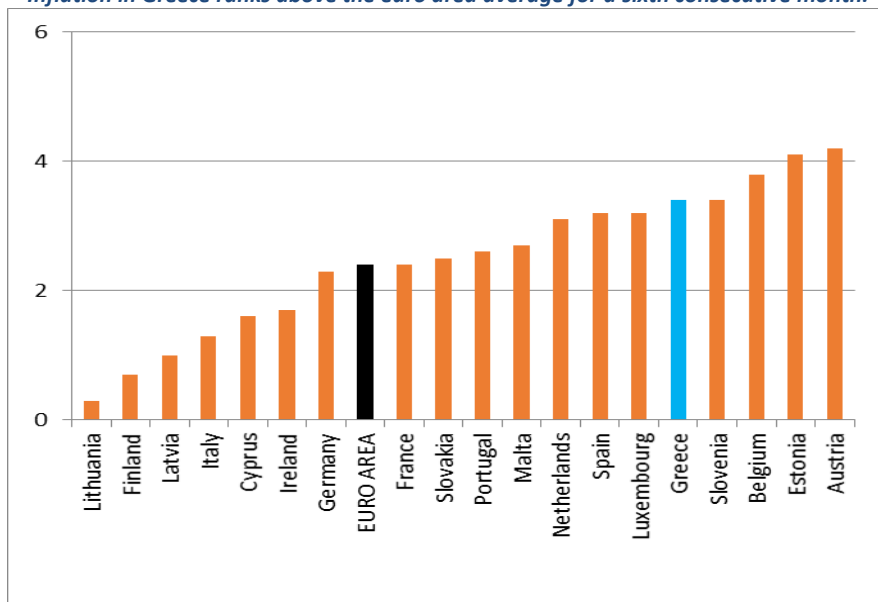


Source: Eurostat. Latest observation: March 2024.

**HICP Headline inflation for euro area countries – March 2024**

(annual % changes)

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



Source: Eurostat.

## Price developments in the euro area and Greece

(annual % changes)

*Easing in energy and food inflation continues, but unprocessed food inflation in Greece remains significantly higher than in the euro area. Core inflation stays at elevated levels.*

EURO AREA	2024 weights (%)	2021	2022	2023	2023			2024	2023				2024		
					Q2	Q3	Q4	Q1	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Harmonised Index of Consumer Prices (HICP)</b>															
<b>Overall index</b>	<b>100.00</b>	<b>2.6</b>	<b>8.4</b>	<b>5.4</b>	<b>6.2</b>	<b>5.0</b>	<b>2.7</b>	<b>2.6</b>	<b>4.3</b>	<b>2.9</b>	<b>2.4</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>2.4</b>
Goods	55.12	3.4	11.9	5.7	6.8	4.5	1.7	1.5	4.0	1.7	1.3	2.1	1.8	1.5	1.2
Processed food (including alcohol and tobacco)	15.12	1.5	8.6	11.4	13.5	10.3	7.1	4.4	9.4	8.4	7.1	5.9	5.2	4.5	3.6
Unprocessed food	4.35	1.6	10.4	9.1	9.5	7.9	5.9	2.8	6.6	4.5	6.3	6.8	6.9	2.1	-0.4
Non-energy industrial goods	25.73	1.5	4.6	5.0	5.8	4.6	2.9	1.6	4.1	3.5	2.9	2.5	2.0	1.6	1.1
Energy	9.91	13.0	37.0	-2.0	-1.8	-4.6	-9.8	-3.9	-4.6	-11.2	-11.5	-6.7	-6.1	-3.7	-1.8
Services	44.88	1.5	3.5	4.9	5.2	5.3	4.2	4.0	4.7	4.6	4.0	4.0	4.0	4.0	4.0
<b>Core Inflation (HICP less energy, food, alcohol and tobacco)</b>	<b>70.62</b>	<b>1.5</b>	<b>3.9</b>	<b>4.9</b>	<b>5.5</b>	<b>5.1</b>	<b>3.7</b>	<b>3.1</b>	<b>4.5</b>	<b>4.2</b>	<b>3.6</b>	<b>3.4</b>	<b>3.3</b>	<b>3.1</b>	<b>2.9</b>
<b>GREECE</b>															
<b>Harmonised Index of Consumer Prices (HICP)</b>															
<b>Overall index</b>	<b>100.00</b>	<b>0.6</b>	<b>9.3</b>	<b>4.2</b>	<b>3.8</b>	<b>3.1</b>	<b>3.5</b>	<b>3.2</b>	<b>2.4</b>	<b>3.8</b>	<b>2.9</b>	<b>3.7</b>	<b>3.2</b>	<b>3.1</b>	<b>3.4</b>
Goods	53.62	2.0	12.9	3.8	2.5	2.1	3.7	2.9	1.2	4.0	3.3	3.8	3.1	2.8	2.8
Processed food (including alcohol and tobacco)	17.27	0.7	9.5	9.3	10.7	7.8	6.1	4.6	6.3	6.5	6.1	5.6	5.3	4.7	3.7
Unprocessed food	7.65	2.2	10.1	11.1	8.5	13.3	12.5	9.1	12.8	14.2	11.1	12.3	11.5	8.3	7.2
Non-energy industrial goods	21.14	-0.7	5.0	6.4	7.9	5.8	3.2	2.1	4.4	3.6	3.4	2.6	2.6	1.7	2.1
Energy	7.56	12.4	41.0	-13.4	-20.4	-18.7	-6.0	-3.5	-18.3	-6.8	-7.2	-4.0	-6.5	-2.8	-1.0
Services	46.38	-1.0	4.5	4.5	5.5	4.1	3.1	3.6	3.8	3.4	2.4	3.6	3.3	3.5	4.0
<b>Core Inflation (HICP less energy, food, alcohol and tobacco)</b>	<b>67.52</b>	<b>-1.1</b>	<b>4.6</b>	<b>5.3</b>	<b>6.4</b>	<b>5.0</b>	<b>3.2</b>	<b>3.1</b>	<b>4.2</b>	<b>3.6</b>	<b>2.8</b>	<b>3.3</b>	<b>3.1</b>	<b>3.0</b>	<b>3.4</b>

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			2024	2023				2024		
					Q2	Q3	Q4	Q1	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Harmonised Index of Consumer Prices (HICP)</b>															
<b>Overall HICP index</b>	<b>100.00</b>	<b>0.6</b>	<b>9.3</b>	<b>4.2</b>	<b>3.8</b>	<b>3.1</b>	<b>3.5</b>	<b>3.2</b>	<b>2.4</b>	<b>3.8</b>	<b>2.9</b>	<b>3.7</b>	<b>3.2</b>	<b>3.1</b>	<b>3.4</b>
<b>ENERGY</b>	<b>7.56</b>	<b>12.4</b>	<b>41.0</b>	<b>-13.4</b>	<b>-20.4</b>	<b>-18.7</b>	<b>-6.0</b>	<b>-3.4</b>	<b>-18.3</b>	<b>-6.8</b>	<b>-7.2</b>	<b>-4.0</b>	<b>-6.5</b>	<b>-2.8</b>	<b>-1.0</b>
Electricity	2.56	8.3	43.1	-15.0	-25.4	-8.5	0.8	-2.0	-1.2	1.9	0.7	-0.1	-0.4	-1.1	-4.6
Natural gas and town gas	0.25	68.3	127.0	-49.3	-44.3	-78.0	-55.5	-52.3	-82.0	-60.5	-53.2	-52.9	-60.2	-52.0	-39.1
Liquefied hydrocarbons	0.04	1.3	11.5	7.6	12.1	4.6	-1.1	1.4	-0.8	2.6	-5.0	-0.8	-1.0	3.2	2.2
Liquid fuels	1.07	20.0	45.1	-11.8	-20.7	-20.7	6.4	7.7	-20.7	0.7	6.0	13.7	1.3	9.9	12.4
Solid fuels	0.22	-0.7	11.0	21.2	28.8	23.3	10.0	7.6	19.2	10.8	9.9	9.2	8.6	7.2	6.9
Fuels for personal transport equipment	3.42	13.5	25.5	-7.8	-16.1	-7.0	-6.7	-1.8	0.7	-6.4	-9.7	-3.6	-4.0	-1.7	0.5

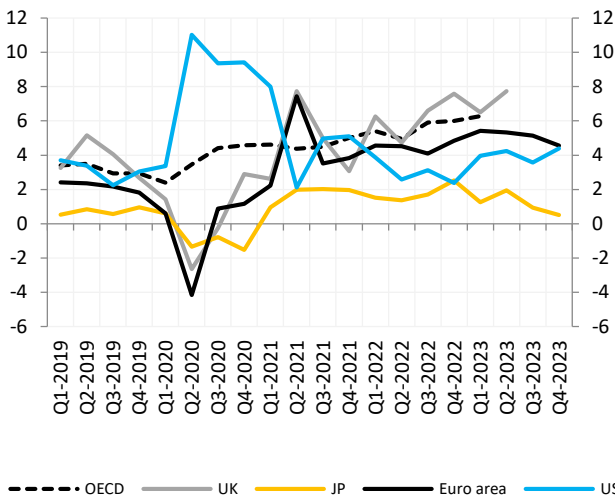
Sources: ELSTAT and BoG calculations.

Section 2: Labour market developments

- Labour markets in advanced economies remain tight, as reflected in record low unemployment rates, but there are signs of some easing.
- 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, implying that part of the rising labour costs will be absorbed by existing profit margins thus reducing the inflationary impact of elevated labour costs (ECB projections March 2024).

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

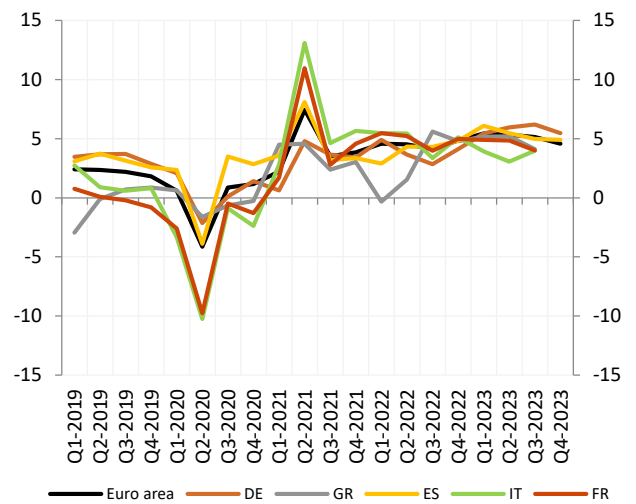
Compensation per employee growth moderated in Q4 2023 in major advanced economies, except the US...



Sources: OECD and ECB. Latest observation: Q4 2023, except for the OECD (Q1 2023) and the UK (Q2 2023).

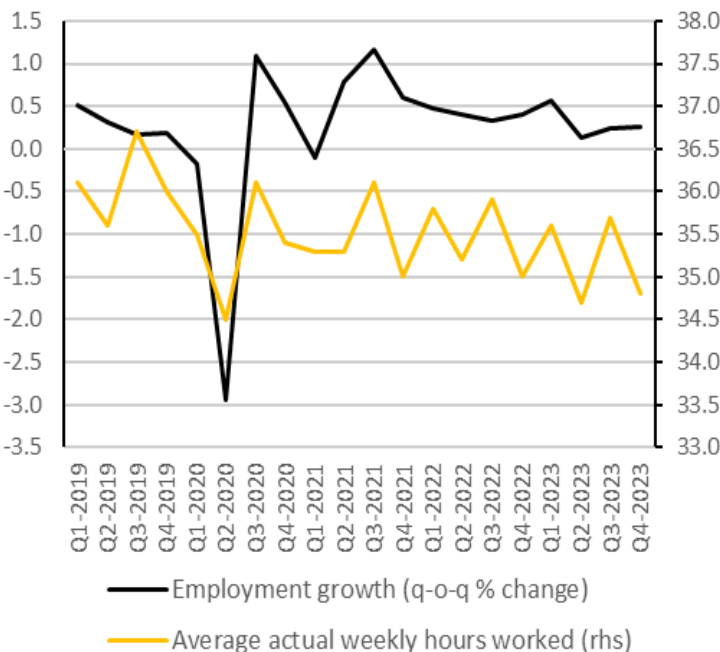
Compensation per employee – selected euro area countries  
(y-o-y % change; sa)

...as well as in major economies of the euro area. Germany saw a significant slowdown in wage growth in Q4 2023.



Sources: OECD and ECB. Latest observation: Q4 2023, except for Greece, Italy and France (Q3 2023).

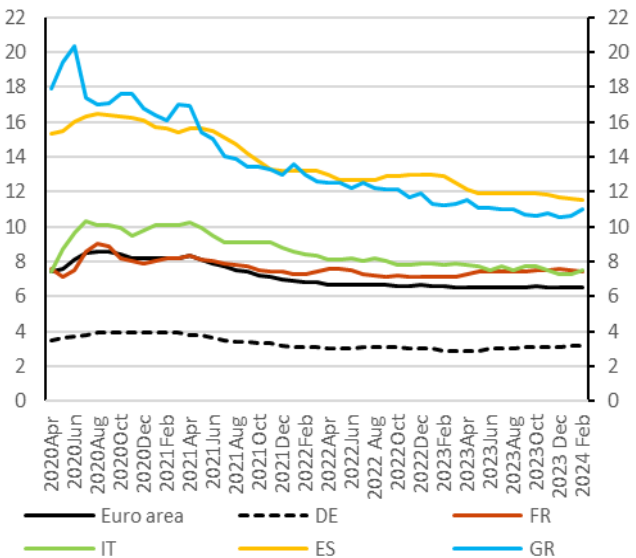
Employment and hours worked – euro area  
Employment growth remains resilient.



Source: Eurostat. Latest observation: Q4 2023.

Unemployment – selected euro area countries  
(%)

In February, the rate of unemployment was broadly unchanged in major euro area countries but increased by 0.4 pps to 11% in Greece.



Source: Eurostat. Latest observation: February 2024.

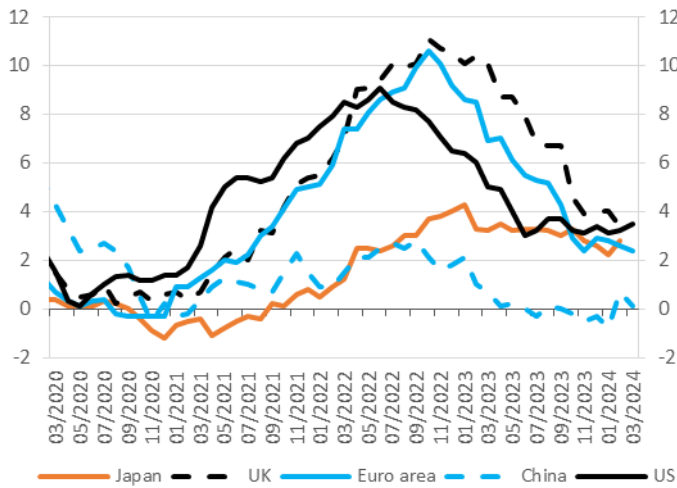
**Section 3: Global prices**

- Since last month, inflation developments have diverged among major economies. While inflation fell faster than anticipated in the euro area and the UK and weakened in China, it accelerated in the US and Japan.
- In March, crude oil prices hovered near their highest levels since December 2023 as supply-side concerns continued, driven in part by fears of a widening conflict in the Middle East. European natural gas prices remained stable amid ample gas inventories and the transition out of the heating season. Prices of industrial metals increased due to improved outlook for manufacturing demand in China and some supply disruptions.
- 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 almost doubled while the corresponding cost from China to Europe more than doubled 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)

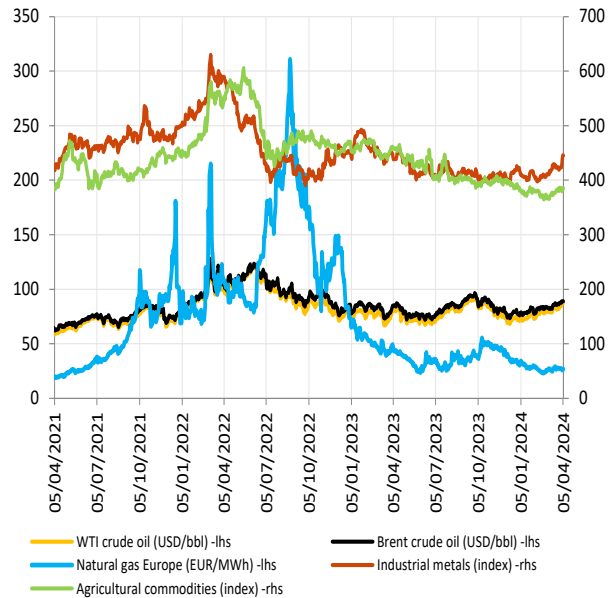
In February, inflation fell in the euro area and the UK, but steadied in the US. Meanwhile, it turned positive in China, amid robust spending relating to Lunar New Year, and accelerated in Japan. In March, inflation slowed in the euro area and China, but increased in the US.



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

**Daily commodity prices**

In March, oil prices rose while European natural gas prices flattened. Optimism about manufacturing demand in China drove prices of basic metal commodities up. Prices of agricultural commodities ticked up due to shrinking production on the back of adverse weather conditions.

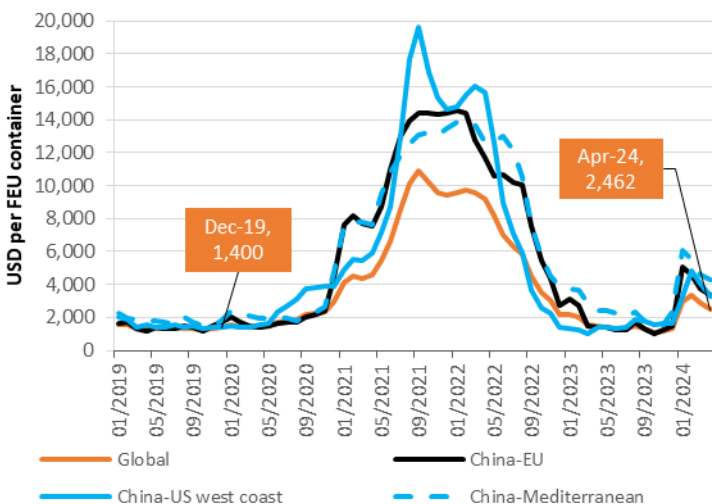


Source: LSEG. Latest observation: 05.04.2024.

Note: S&P Goldman Sachs Commodity spot price indices for industrial metals and agricultural commodities.

**Containers transportation cost – Freightos Index**

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

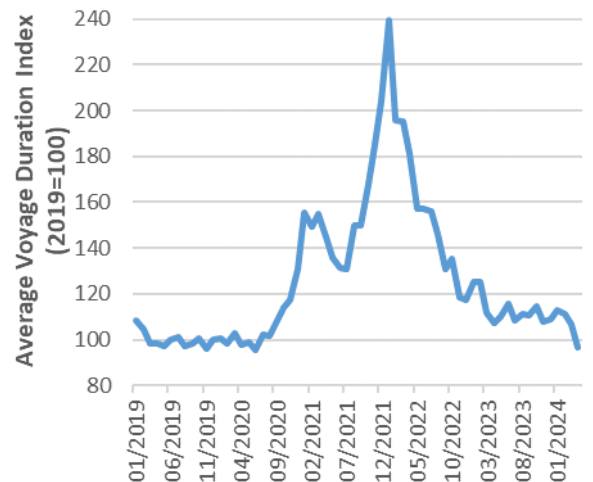


Sources: Freightos and LSEG. Latest observation: 05.04.2024.

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 to its pre-pandemic level.



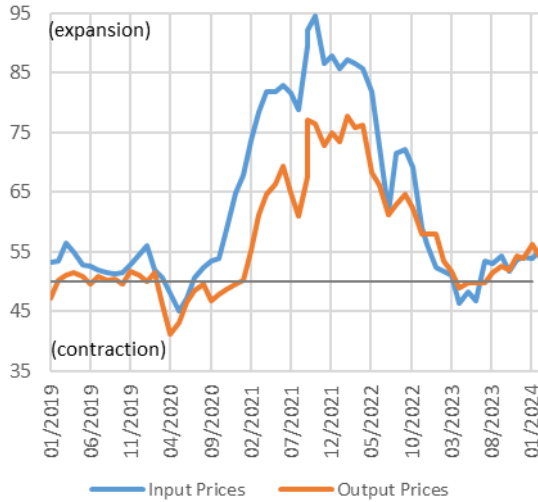
Source: Clarkson Research Services. Bank of Greece's calculations. Latest observation: 15.02.2024.

**Section 4: Leading price indicators**

- *PMI input prices rose in March 2024, at the fastest rate since January 2023, due to higher raw material, oil and shipping prices. Output price inflation also increased in March, albeit at a softer pace, due to the pass through of higher costs to customers.*
- *Selling price expectations remain elevated, with the exception of the industrial sector where expectations are on a decreasing path over the last two years.*
- *Consumer inflation expectations eased in March both in Greece and the euro area.*

**PMI input and output prices in Greek manufacturing**

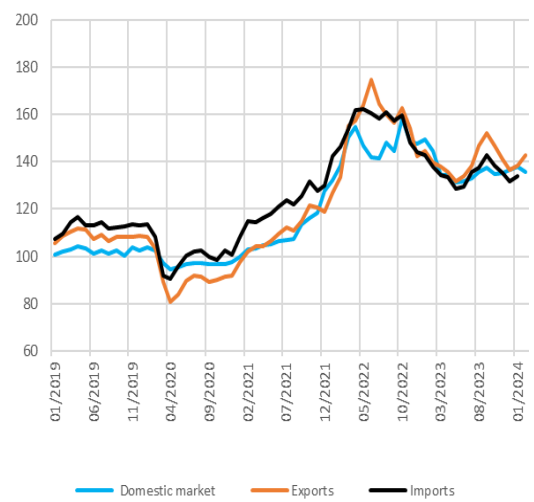
*Input and output prices picked up again over the last eight months...*



Source: S&P Global. Latest observation: March 2024.

**Producer Price Index components in Greece**

*...while producer prices are broadly flat lately.*

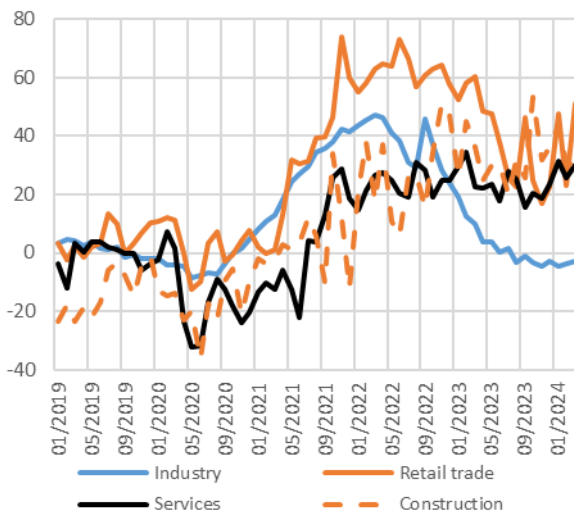


Source: ELSTAT. Latest observation: February 2024.

**Selling price expectations in business sectors in Greece**

*(for the next 3 months)*

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



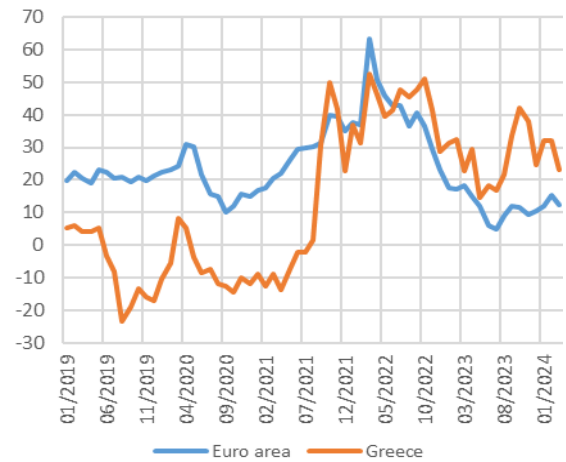
Source: European Commission. Latest observation: March 2024.

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 eased in March both in Greece and the euro area.*



Source: European Commission. Latest observation March 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.

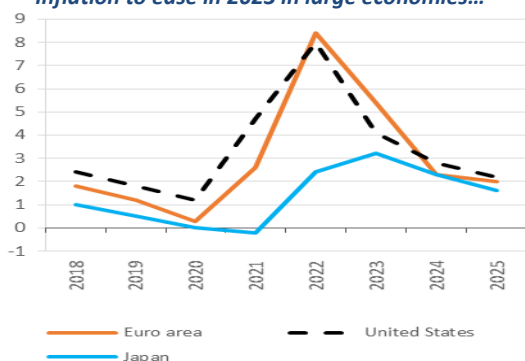


**Section 5: Inflation expectations**

- *Consensus Forecasts of inflation released in March suggest declining inflation for most advanced countries for 2024-2025. Compared to the survey of the previous month, figures were revised marginally upwards in 2024 for some 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 broadly stable at 10% in February 2024 while in the euro area they decreased slightly to 3.1% from 3.3% in January. Median inflation expectations three years ahead in Greece have increased to 6.6% in February 2024 from 6.4% in January 2024 while in the euro area they remained stable at 2.5%.*
- *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.<sup>1</sup>*
- *In the last month, market-based expected inflation, for a medium-term horizon, rose in the euro area and, less so, in the US, while longer-term inflation expectations rose by less in both regions (5-year breakeven inflation rates on 11.4.2024: EA: 2.12%, +22 bps vs 11.3.2024; US: 2.48%, +15 bps; 10-year breakeven inflation rates on 11.4.2024: EA: 2.14%, +16 bps vs 11.3.2024; US: 2.39%, +18 bps). Real yields (i.e. yields on inflation-linked/inflation-protected notes) followed divergent paths in the EA and the US, as economic activity proves more resilient than expected in the US with job openings surprising on the upside (on 11.4.2024: EA-5y: 0.37%, EA-10y: 0.33%, -5 bps and +2 bps, respectively, vs 11.3.2024; US-5y: 2.14%, US-10y: 2.18% bps, +38 and +36 bps, respectively, vs 11.3.2024). Overall, nominal bond yields rose and more so in the US, than in the EA (on 11.4.2024: DE-5y: 2.49%, +18 bps vs 11.3.2024; DE-10y: 2.48%, +18 bps; UST-5y: 4.62%, +53 bps; UST-10y: 4.58%, +48 bps).*
- *Market-based expectations for ECB rates indicate that the ECB will proceed to its first 25 bps rate cut in June 2024 with around 75% probability. Nevertheless, markets are pricing in fewer rate cuts, i.e. a total of 75 bps until the end of 2024 with a probability of 68%, with cuts of 100 bps in total now seen as unlikely (probability of 30%, down from 72% one month ago). Expectations about the Fed funds rate have also been revised upwards. Futures contracts on the FFR imply an equal probability for a 25 bps rate cut and no change for July’s FOMC meeting and a 70% probability for a rate cut in September; until recently a rate cut in June was expected, but the picture changed after stronger-than-expected US CPI inflation in March. Additionally, expectations for rate cuts of a total of 100 bps until the end of the year have been revised and markets now expect, with equal probability, total rate cuts of either 25 or 50 bps.*

**Consensus: Inflation expectations (I)**

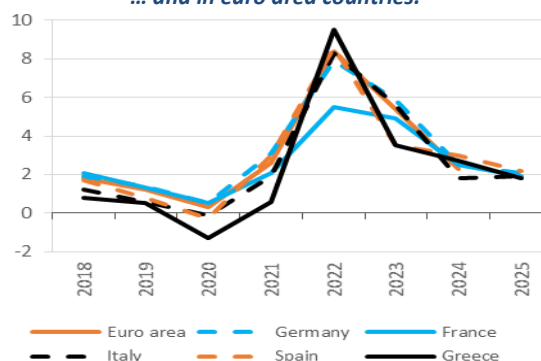
*Inflation to ease in 2023 in large economies...*



Source: Consensus Forecasts (March 2024).

**Consensus: Inflation expectations (II)**

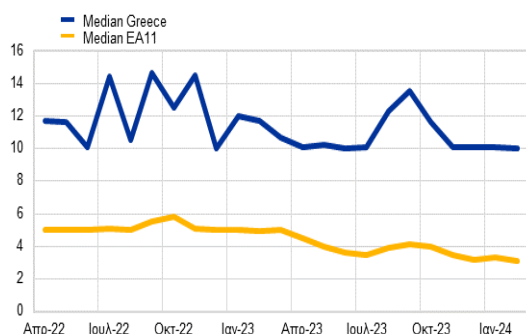
*... and in euro area countries.*



Source: Consensus Forecasts (March 2024).

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

*Short-term inflation expectations in Greece remained broadly unchanged while in the EA they slightly decreased*

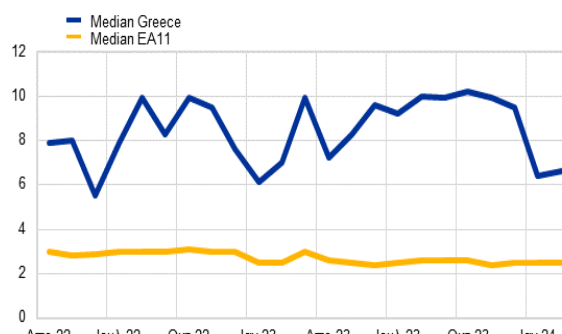


Source: ECB Consumer Expectations Survey (CES).

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 February 2024.

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

*Medium-term inflation expectations in Greece increased, whereas in the EA they remained stable*



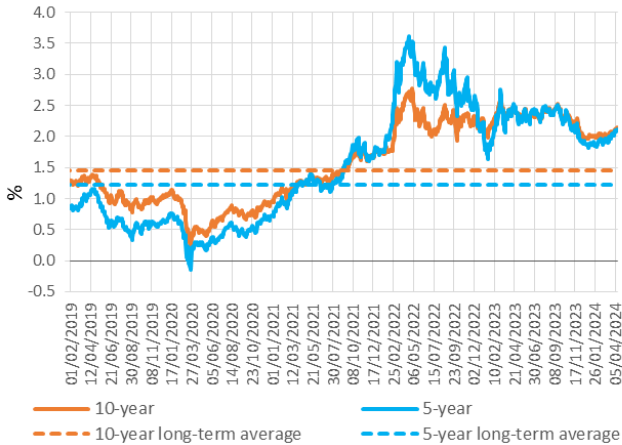
Source: ECB Consumer Expectations Survey (CES).

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 February 2024.

<sup>1</sup> 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 Colbion, 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

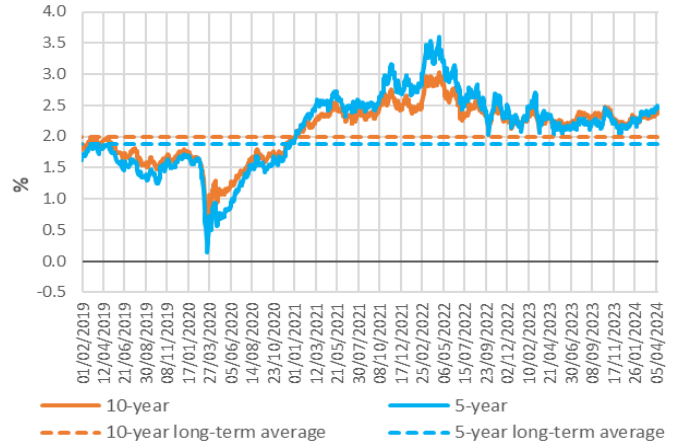
Market-based expectations for euro-area inflation, over a medium- to long-term horizon, rose over the last month, standing now somewhat above the medium-term inflation target of 2%.



Sources: LSEG | Bank of Greece. Latest observation: 11.04.2024.  
 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 rose somewhat over the last month, standing above the 2% inflation target.

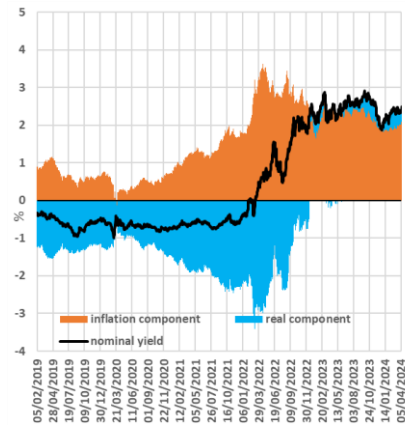


Sources: LSEG | Bank of Greece. Latest observation: 11.04.2024.  
 Note: The chart illustrates daily developments in the yield differential between nominal and inflation-linked US Treasury bonds with a maturity of 5 (blue line) and 10 (orange line) years. The dotted lines indicate the average value of each series since 2013.

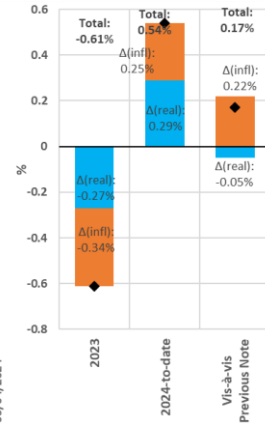
### Euro area: Decomposition of nominal 5y yields into real yield and inflation component

In the EA, real yields (i.e. inflation-linked bond yields which compensate investors for inflation) fell recently, partly offsetting the rise of the inflation-related component in nominal yields.

Left graph: levels (%)



Right graph: changes (pp)

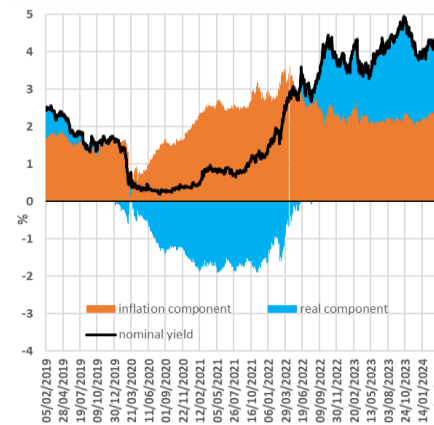


Sources: LSEG, Bank of Greece. Latest observation: 11.04.2024.  
 Note: The chart shows the decomposition of the 5-year EA benchmark bond yield (black line) into its real (blue bars) and inflation-linked (orange bars) components. The inflation component is the breakeven inflation rate and the real component is the yield of the bond that compensates bondholders for inflation (i.e. the 5-year German inflation-linked federal bond).

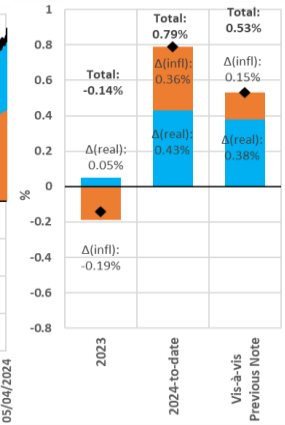
### US: Decomposition of nominal 5y yields into real yield and inflation component

In the US, real yields (i.e. yields on US Treasury inflation-protected securities) rose as did the inflation-related component, thus contributing to an overall increase of nominal bond yields.

Left graph: levels (%)



Right graph: changes (pp)

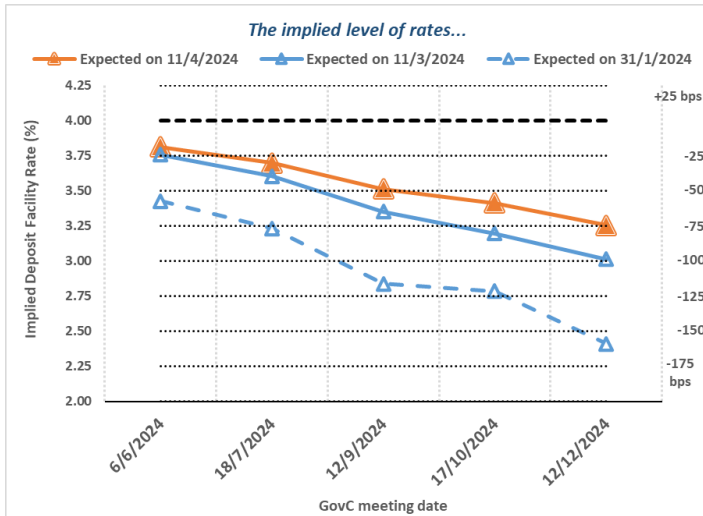


Sources: LSEG, Bank of Greece. Latest observation: 11.04.2024.  
 Note: The chart shows the decomposition of the 5-year US Treasury bond yield (black line) into its real (blue bars) and inflation-linked (orange bars) components. The inflation component is the breakeven inflation rate and the real component is the yield of the bond that compensates bondholders for inflation (i.e. the 5-year US Treasury Inflation-Protected Security).

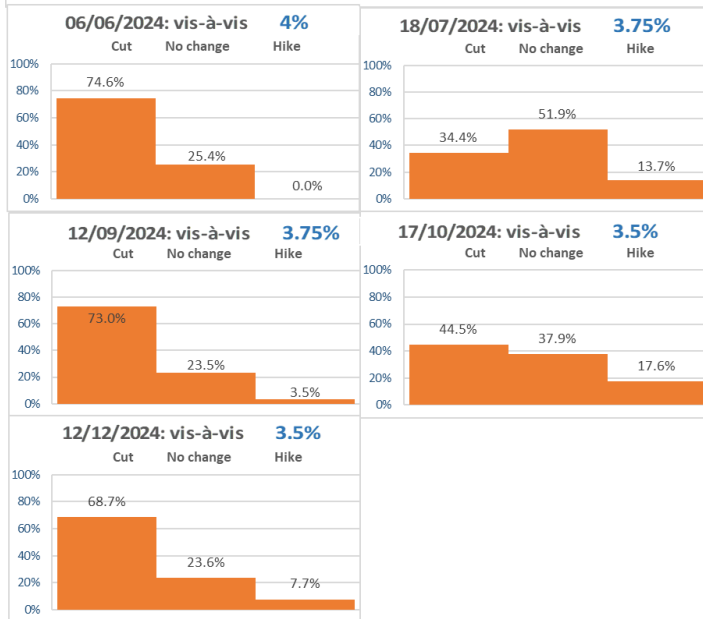


## Short-term rates in the euro area

Money markets expect that the ECB will begin cutting rates in June; until the end of 2024, rate cuts of a total of 75 bps are seen likely, thus revising the expectation for rates in 2024 upwards.

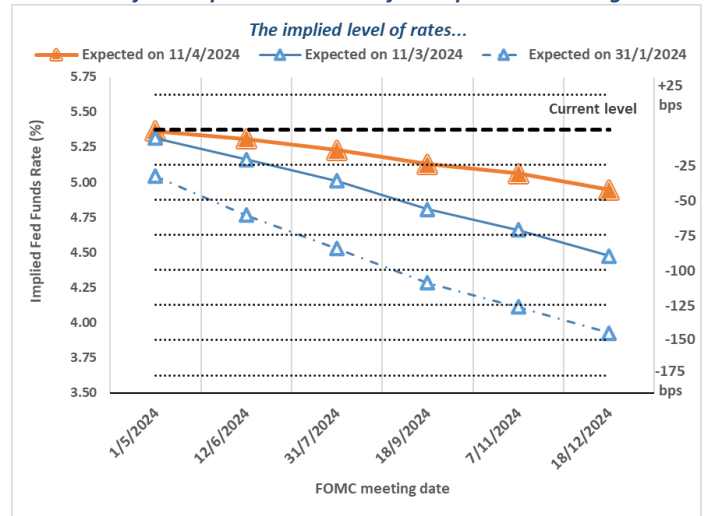


...and the likelihood of moves per GovC meeting vis-à-vis the central probability for the rate at the previous meeting

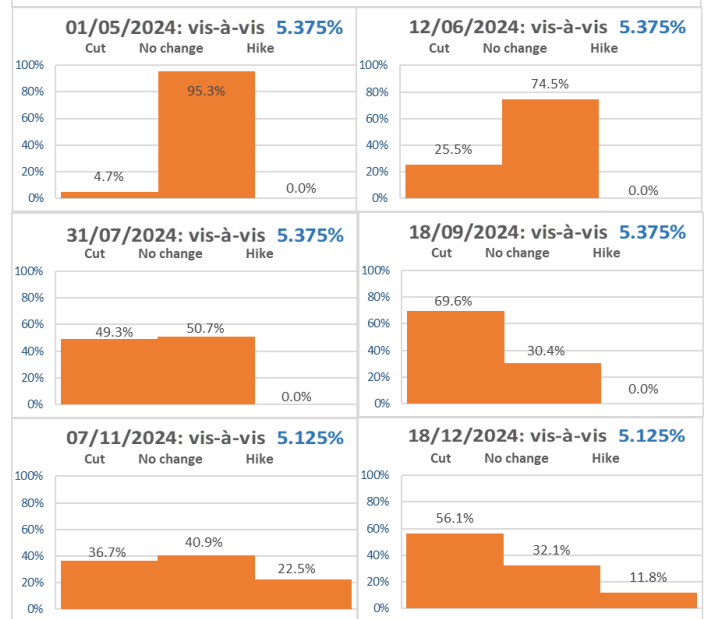


## Short-term rates in the US

Interest rate derivatives have dialed back expectations for a rate cut by the Fed in June, with the first rate cut now expected by September; for 2024 rate cuts of 50 or 25 bps, are seen as roughly equally likely, down from expected rate cuts of 100 bps one month ago.



...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: 11.04.2024.

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 graphs correspond to monetary policy meetings (GovC for the ECB and FOMC for the Fed) during 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: Bank of Greece 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.*

## Macroeconomic projections, March 2024

## Euro area

	HICP	HICP ex energy and food	HICP energy
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## 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
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## 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

**20.3.2024: ECB President Christine Lagarde (Speech at the ECB and its Watchers XXIV Conference, [link](#)):** “[...] there are three domestic factors that will be decisive to ensuring that the inflation path evolves as we project. The first of these is wage growth. [...] The second is profit margins. [...] The third factor is productivity growth. [...] there will be a period ahead where we need to confirm on an ongoing basis that the incoming data supports our inflation outlook. This has two important implications for the policy path ahead. First, our decisions will have to remain data dependent and meeting-by-meeting, responding to new information as it comes in. This implies that, even after the first rate cut, we cannot pre-commit to a particular rate path. Second, our policy framework will remain important to process the incoming data and calibrate the appropriate policy stance. At the same time, the relative weights assigned to the three criteria will have to be regularly examined”.

**3.4.2024: Fed Chair Jerome Powell (Speech at the Stanford Graduate School of Business, [link](#)):** “[...] The recent data do not, however, materially change the overall picture, which continues to be one of solid growth, a strong but rebalancing labor market, and inflation moving down toward 2 percent on a sometimes bumpy path. Labor market rebalancing is evident in data on quits, job openings, surveys of employers and workers, and the continued gradual decline in wage growth. On inflation, it is too soon to say whether the recent readings represent more than just a bump. We do not expect that it will be appropriate to lower our policy rate until we have greater confidence that inflation is moving sustainably down toward 2 percent. Given the strength of the economy and progress on inflation so far, we have time to let the incoming data guide our decisions on policy. [...]”.

**5.4.2024: FOMC members position on the appropriate US monetary policy path:** Governor Michelle W. Bowman [link](#) “[...] However, we are still not yet at the point where it is appropriate to lower the policy rate, and I continue to see a number of upside risks to inflation.”, Governor Christopher J. Waller [link](#) “[...] In my view, it is appropriate to reduce the overall number of rate cuts or push them further into the future in response to the recent data. This reflects the reality of managing an outlook in real time as data comes in. Subsequent data may well alter this outlook again, but we shall see. Based on what we know now, there is no urgency in taking that step.”

**11.4.2024: ECB GovC (Monetary policy statement, [link](#)):** “[...] Our future decisions will ensure that our policy rates will stay sufficiently restrictive for as long as necessary. If our updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission were to further increase our confidence that inflation is converging to our target in a sustained manner, it would be appropriate to reduce the current level of monetary policy restriction. [...] Inflation has continued to decline, from an annual rate of 2.6 per cent in February to 2.4 per cent in March, according to Eurostat’s flash estimate. Food price inflation dropped to 2.7 per cent in March, from 3.9 per cent in February, while energy price inflation stood at -1.8 per cent in March, after -3.7 per cent in the previous month. Goods price inflation fell again in March, to 1.1 per cent, from 1.6 per cent in February. However, services price inflation remained high in March, at 4.0 per cent. [...]”

## Data releases

Date	Announcement	Actual	Expected*	Actual vs Expected	Previous reading
18 March	EA HICP (%ΔYoY Feb Final)	2.6%	2.6%	0%	2.6%
18 March	EA HICP excl. food, energy, alcohol, tobacco (%ΔYoY Feb Final)	3.1%	3.1%	0%	3.1%
20 March	Germany Producer Prices (%ΔYoY Feb)	-4.1%	-3.8%	-0.3%	-4.4%
20 March	UK Core CPI (%ΔYoY Feb)	4.5%	4.6%	-0.1%	5.1%
20 March	UK CPI (%ΔYoY Feb)	3.4%	3.5%	-0.1%	4.0%
27 March	Spain HICP (%ΔYoY Mar Flash)	3.2%	3.3%	-0.1%	2.9%
28 March	Italy Producer Prices (%ΔYoY Feb)	-10.8%			-10.7%
29 March	France HICP (%ΔYoY Mar Preliminary)	2.4%	2.8%	-0.4%	3.2%
29 March	France Producer Prices (%ΔYoY Feb)	-5.5%			-5.1%
29 March	Italy CPI (%ΔYoY Mar Preliminary)	1.3%	1.4%	-0.1%	0.8%
29 March	Italy HICP (%ΔYoY Mar Preliminary)	1.3%	1.5%	-0.2%	0.8%
29 March	United States Core PCE Price Index (%ΔYoY Feb)	2.8%	2.8%	0%	2.8%
29 March	United States PCE Price Index (%ΔYoY Feb)	2.5%	2.5%	0%	2.4%
2 April	Germany CPI (%ΔYoY Mar Preliminary)	2.2%	2.2%	0%	2.5%
2 April	Germany HICP (%ΔYoY Mar Preliminary)	2.3%	2.4%	-0.1%	2.7%
3 April	EA HICP (%ΔYoY Mar Flash)	2.4%	2.6%	-0.2%	2.6%
3 April	EA HICP excl. food, energy, alcohol, tobacco (%ΔYoY Mar Flash)	2.9%	3.0%	-0.1%	3.1%
4 April	EA Producer Prices (%ΔYoY Feb)	-8.3%	-8.6%	0.3%	-8.6%
10 April	Greece HICP (%ΔYoY Mar)	3.4%			3.1%
10 April	Greece CPI (%ΔYoY Mar)	3.2%			2.9%
10 April	United States Core CPI, NSA (%ΔAoA Mar)	3.8%	3.7%	0.1%	3.8%
10 April	United States CPI, NSA (%ΔAoA Mar)	3.5%	3.4%	0.1%	3.2%
12 April	Germany CPI (%ΔYoY Mar Final)	2.2%	2.2%	0%	2.2%
12 April	Germany HICP (%ΔYoY Mar Final)	2.3%	2.3%	0%	2.3%
12 April	France HICP (%ΔYoY Mar Final)	2.4%	2.4%	0%	2.4%

Source: LSEG.

\*Expected figures are based on opinion polls among financial sector experts.

## *Disclaimer*

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