

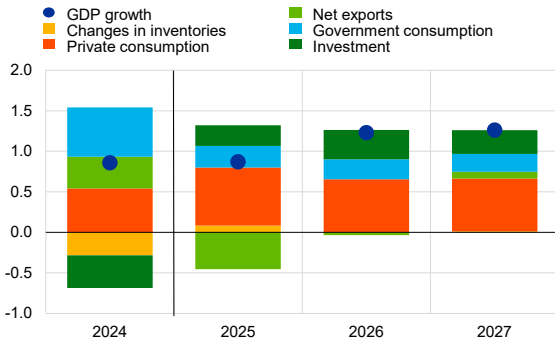


Introductory statement in three charts

ECON hearing with the ECB President on 20 March 2025

Real GDP growth

(annual percentage changes)



Sources: Eurostat and March 2025 ECB staff macroeconomic projections for the euro area. Note: The vertical line indicates the start of the projection horizon.

Economic activity

The economic recovery faces continued challenges amid high policy uncertainty.

- Growth should be supported by higher incomes, a robust labour market and lower borrowing costs.
- The latest ECB staff projections foresee economic growth of 0.9% in 2025, 1.2% in 2026 and 1.3% in 2027.
- Downward revisions for 2025 and 2026 reflect lower exports and ongoing weakness in investment, in part originating from high trade policy uncertainty as well as broader policy uncertainty.

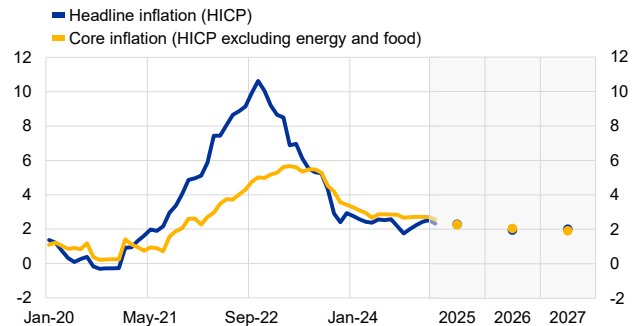
Inflation

The disinflation process is well on track.

- Headline inflation decreased from 2.5% in January to 2.3% in February, largely owing to a drop in energy inflation.
- Inflation excluding energy and food declined slightly to 2.6%, on account of a decline in services inflation.
- The latest staff projections expect headline inflation to average 2.3% in 2025, 1.9% in 2026 and 2.0% in 2027.
- Increasing friction in global trade is adding more uncertainty to the outlook for euro area inflation.

Headline and core inflation

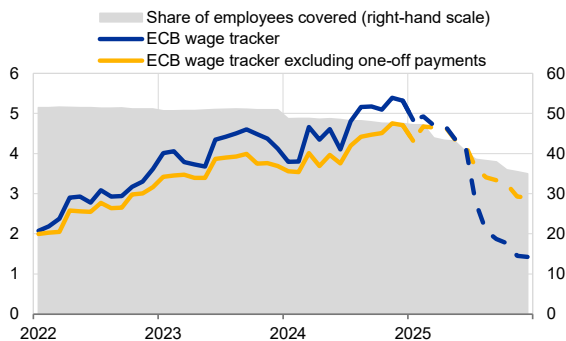
(annual percentage changes)



Sources: March 2025 ECB staff macroeconomic projections for the euro area and Eurostat. Note: The latest observations are for February 2025.

ECB wage tracker

(annual percentage changes)



Sources: ECB calculations based on data provided by the Deutsche Bundesbank, the Bank of Greece, the Banco de España, the Banque de France, the Banca d'Italia, the Oesterreichische Nationalbank, the Dutch employers' association AWWN and Eurostat. Notes: The wage tracker covers only active collective bargaining agreements and thus has a decreasing coverage going forward. Dashed lines denote periods of forward-looking information. The wage tracker is based on agreements signed up to January 2025 for the Netherlands and Spain, and up to 19 February 2025 for all other countries.

Wages

Wage growth is moderating as real wages have recovered.

- Real wages have caught up with levels seen before the inflation surge, leading to fewer demands for inflation compensation.
- Nominal wage growth has moderated over the course of 2024 and negotiated wage growth indicates continued moderation ahead.
- After reaching around 5% in 2024, the ECB's wage tracker for currently available agreements expects negotiated wages to increase by 3.3% in 2025.

WANT TO KNOW MORE?

- [Monetary Policy Statement, ECB press conference, 6 March 2025](#)
- [ECB staff macroeconomic projections for the euro area, 6 March 2025](#)



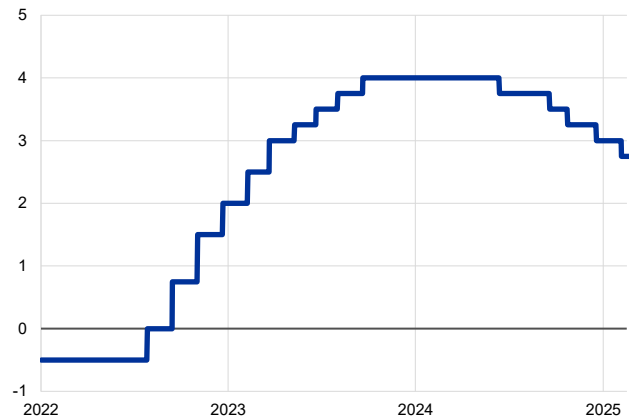
Topic 1: Monetary policy stance

The ECB lowered its key interest rates again in March.

- The ECB reduced its key interest rates in March 2025, as reflected in the deposit facility rate – the rate through which the ECB steers the monetary policy stance.
- As a result of our recent interest rate cuts, our monetary policy is becoming meaningfully less restrictive.
- Especially in current conditions of rising uncertainty, the ECB will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance, without pre-committing to a particular rate path.

Deposit facility rate

(percentages)



Source: ECB.

Note: The latest observation is for 20 March 2025.

Topic 2: The impact of a shift in US trade policies

In an interconnected world, increased trade frictions hurt everybody.

- Trade policies have become a major source of uncertainty. An index of trade policy uncertainty currently stands at more than eight times its average value since 2021.
- The euro area, with its high trade openness and deep integration into global supply chains, is particularly exposed to shifts in trade policies.
- Trade integration, including free trade agreements with the rest of the world, has been a driver of EU prosperity and can protect against unilateral trade measures.

Strengthening the Single Market is crucial for reducing trade barriers within Europe and creating the scale necessary for firms to thrive.

Trade policy uncertainty

(index)



Source: Index based on Caldara, D., Iacoviello, M., Molligo, P., Prestipino, A. and Raffo, A. (2020), "The economic effects of trade policy uncertainty", *Journal of Monetary Economics*, Vol. 109.

Notes: The trade policy uncertainty index is based on automated text searches of seven newspapers (The Boston Globe, Chicago Tribune, The Guardian, Los Angeles Times, The New York Times, The Wall Street Journal, and The Washington Post). The measure is calculated by counting the monthly frequency of articles discussing trade policy uncertainty (as a share of the total number of news articles) for each newspaper. The index is then normalised to a value of 100 for a 1% article share. The latest observation is for February 2025.

WANT TO KNOW MORE?

- [Navigating a fragmenting global trading system: insights for central banks](#), Occasional Paper Series, No 365, ECB, 2024
- [The impact of tariffs on the March 2025 staff projections](#), ECB staff macroeconomic projections for the euro area, 6 March 2025