

Press Release

Zurich, 11 April 2024, 5.30 pm

KOF Monetary Policy Communicator for the Euro Area

The KOF MPC figure for 11 April 2024 is -0.26. At today’s meeting, the ECB’s Governing Council decided to keep the three key ECB interest rates unchanged and confirmed that incoming data is in line with its previous medium-term inflation outlook.

The ECB’s Governing Council has once again kept its three key ECB interest rates unchanged, amid the currently observed disinflationary progress. The incoming data has not changed the Governing Council’s inflation outlook, with notably persisting domestic price pressures and services price inflation still running hot. Interestingly, a new conditional statement made its appearance in President Lagarde’s opening remarks. Namely, depending on future updates of the Governing Council’s inflation outlook, it may become appropriate to “reduce the current level of monetary policy restriction”. The Governing Council however insists that it is not pre-committing to a particular rate path. Finally, the Governing Council signaled that it expects inflation “to fluctuate around current levels in the coming months”.

Annual HICP inflation in the euro area has further declined to 2.4% in March, a 0.2 percentage points reduction from its February reading. Food price inflation recorded a large drop from 3.9% in February to 2.7% in March. Energy prices were still deflationary although at a reduced pace (-1.8% in March from -3.7% in February). Goods inflation dropped by 0.5 percentage points to 1.1% in March. Yet, services inflation continues to be sticky, remaining at the 4% mark in the past month. Domestic price pressures remain elevated, despite unit profits and wages recording a weaker than expected growth in Q4 of 2023. Such domestic price pressures can be explained by high unit labour costs and the associated weak productivity growth. Most measures of longer-term inflation expectations currently stand at around 2%.

Recent Developments

Date	KOF MPC	MRF*
14 Sep 2023	0.09	4.50
26 Oct 2023	0.29	4.50
14 Dec 2023	0.00	4.50
25 Jan 2024	0.09	4.50
07 Mar 2024	-0.39	4.50
11 Apr 2024	-0.26	4.50

*ECB Main Refinancing Rate

KOF MPC and ECB Main Refinancing Rate

