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PRESS RELEASE

ECB PUBLISHES THE 2010 STRUCTURAL ISSUES REPORT ON ENERGY MARKETS AND THE EURO AREA MACROECONOMY

The European Central Bank (ECB) is publishing its Structural Issues Report today. This year, it deals with “Energy markets and the euro area macroeconomy”.

The aim of this year’s report is to analyse the impact of energy price fluctuations on the euro area macroeconomy. The response of euro area output to large energy price changes is determined by the energy dependency and the intensity of production, as well as by the degree of flexibility of the economy more generally. Output losses due to energy price hikes tend to be lower, the more flexible economies are. As regards inflation, first-round effects (via the energy prices paid by consumers and energy costs in the production process) and second-round effects (via wage and price-setting behaviour more generally) both contribute to the impact of energy prices on consumer prices in a substantive way. While monetary policy cannot address first-round effects, it should tackle second-round effects by shaping inflation expectations. Social partners share the responsibility for avoiding second-round effects that lead to inflationary pressures.

Overall, the ability to weather future energy price fluctuations in the euro area relies on the continued stability-oriented conduct of monetary policy, appropriate structural policies and responsible wage-setting behaviour. The promotion of energy efficiency and the flexibility of the euro area economy remain crucial to minimise the costs of energy price volatility.

This annual ECB publication, prepared under the aegis of the ECB’s Governing Council, was sent to the European Parliament, in line with the practice followed in past years. Each year, the report identifies a topic related to structural features of the euro area economy that are relevant for monetary policy and analyses it from a euro area and cross-country perspective. The full report is available on the ECB’s website at <http://www.ecb.europa.eu>

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