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PRESS RELEASE

ECB PUBLISHES THE 2011 STRUCTURAL ISSUES REPORT ON “STRUCTURAL FEATURES OF DISTRIBUTIVE TRADES AND THEIR IMPACT ON PRICES IN THE EURO AREA”

The European Central Bank (ECB) is publishing its 2011 Structural Issues Report today. This year, it deals with “Structural features of distributive trades and their impact on prices in the euro area”.

The aim of this year's report is to analyse the structural features – particularly the degree of competition and regulatory aspects – of the distributive (i.e. wholesale and retail) trades sector and their impact on price developments in the euro area.

Among the main findings of the report is that there remains a considerable degree of price dispersion across the euro area, with compelling evidence of a strong “border effect” on price differences across euro area countries. More generally, the report illustrates that structural features of the distributive trades sector affect prices in the euro area, in terms of price levels, the frequency of price changes, price dynamics and the pass-through of costs to prices. The report also finds that the distributive trades sector accounts for a noteworthy proportion of the worsening productivity differential between the euro area and the United States.

Overall, the findings of the report suggest ample scope for further improving the Single Market. More specifically, further progress in improving effective competition in the distributive trades sector could help narrow price differentials and enhance the effectiveness of monetary policy. A crucial step towards further progress would be the full implementation of the Services Directive. Structural reforms in the distributive trades sector could reduce profit mark-ups and give rise to substantial increases in output, employment and real wages. Furthermore, to unleash the full potential and benefits of online and cross-border trade, remaining regulatory and legislative barriers (such as consumer law, VAT-related issues, etc.) need to be addressed.

The Structural Issues Report, which is an annual ECB publication, was transmitted by the ECB's President, Mr Jean-Claude Trichet, to Ms Sharon Bowles, Chair of the Committee on Economic and Monetary Affairs of the European Parliament. Each year the report, which is prepared by a task force of the Monetary Policy Committee (MPC) of the

European System of Central Banks (ESCB) under the aegis of the ECB's Governing Council, identifies a topic on structural aspects of the euro area economy relevant for monetary policy. The report analyses this topic from a euro area and cross-country perspective, based on input from the staff of the ECB and of the ESCB national central banks.

The full report is available on the ECB's website.

European Central Bank

Directorate Communications, Press and Information Division

Kaiserstrasse 29, D-60311 Frankfurt am Main

Tel.: +49 69 1344 7455, Fax: +49 69 1344 7404

Internet: <http://www.ecb.europa.eu>

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