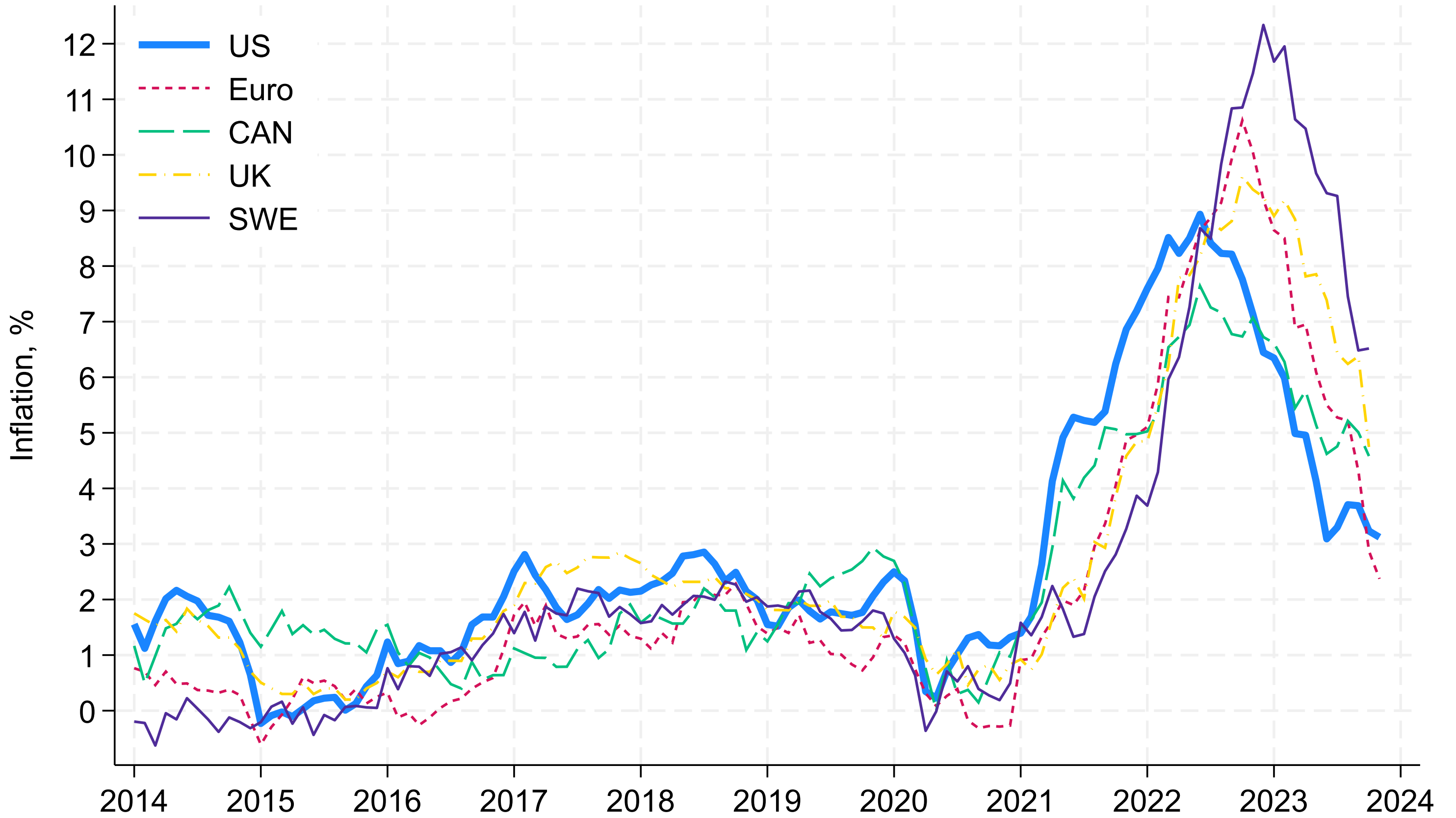
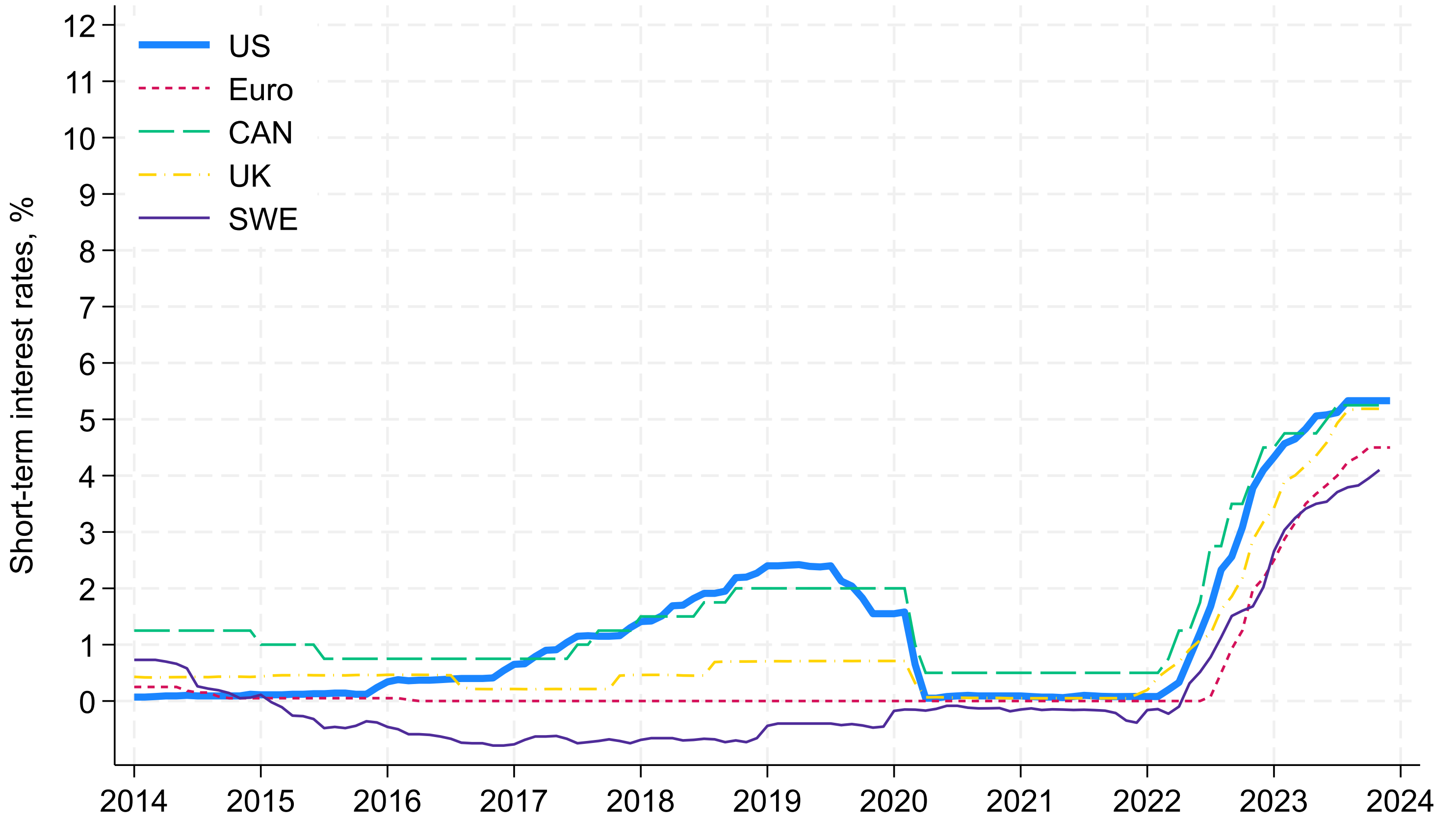
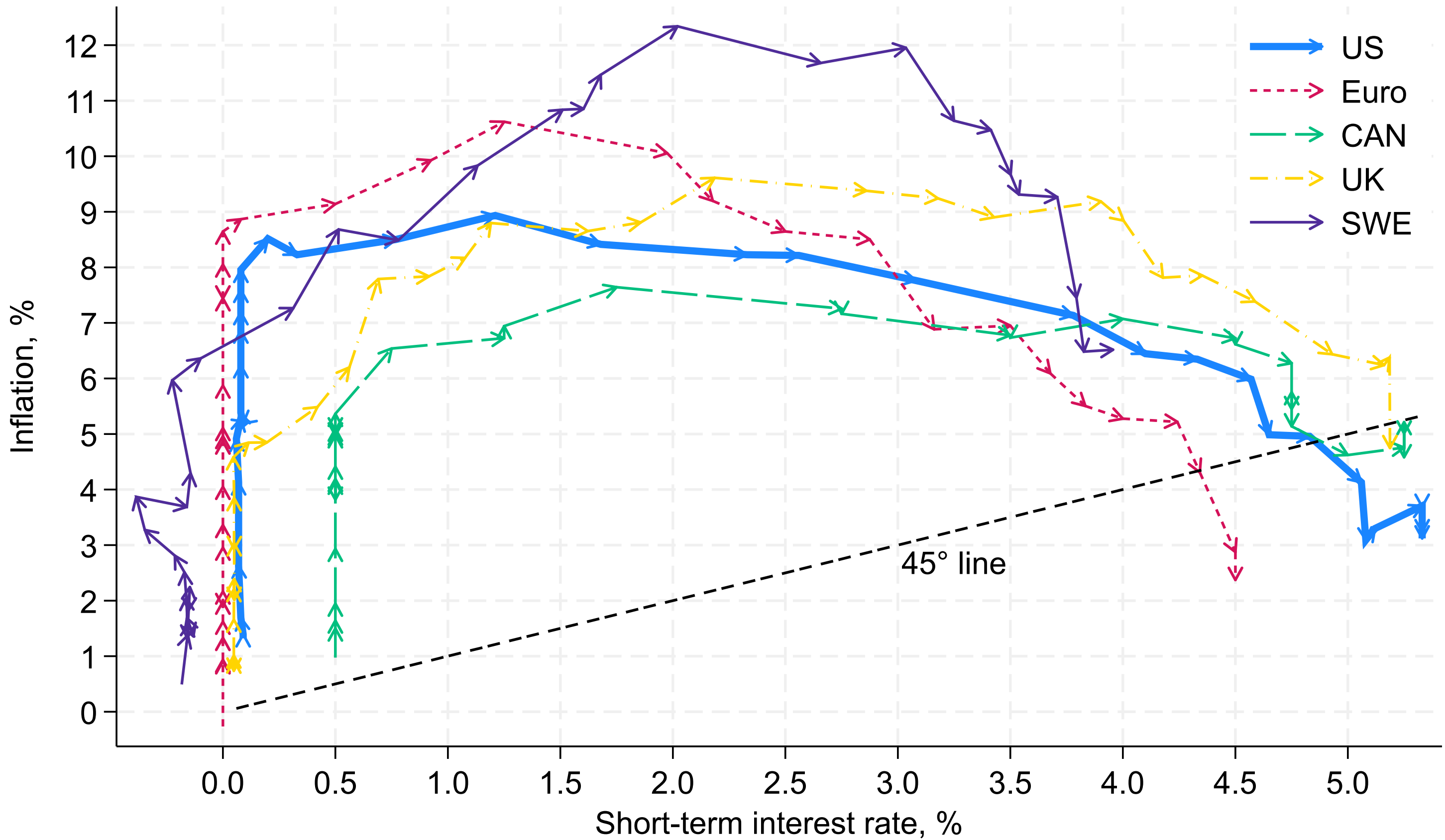


# **MONETARY POLICY IN EUROPE: OUT OF THE WOODS?**

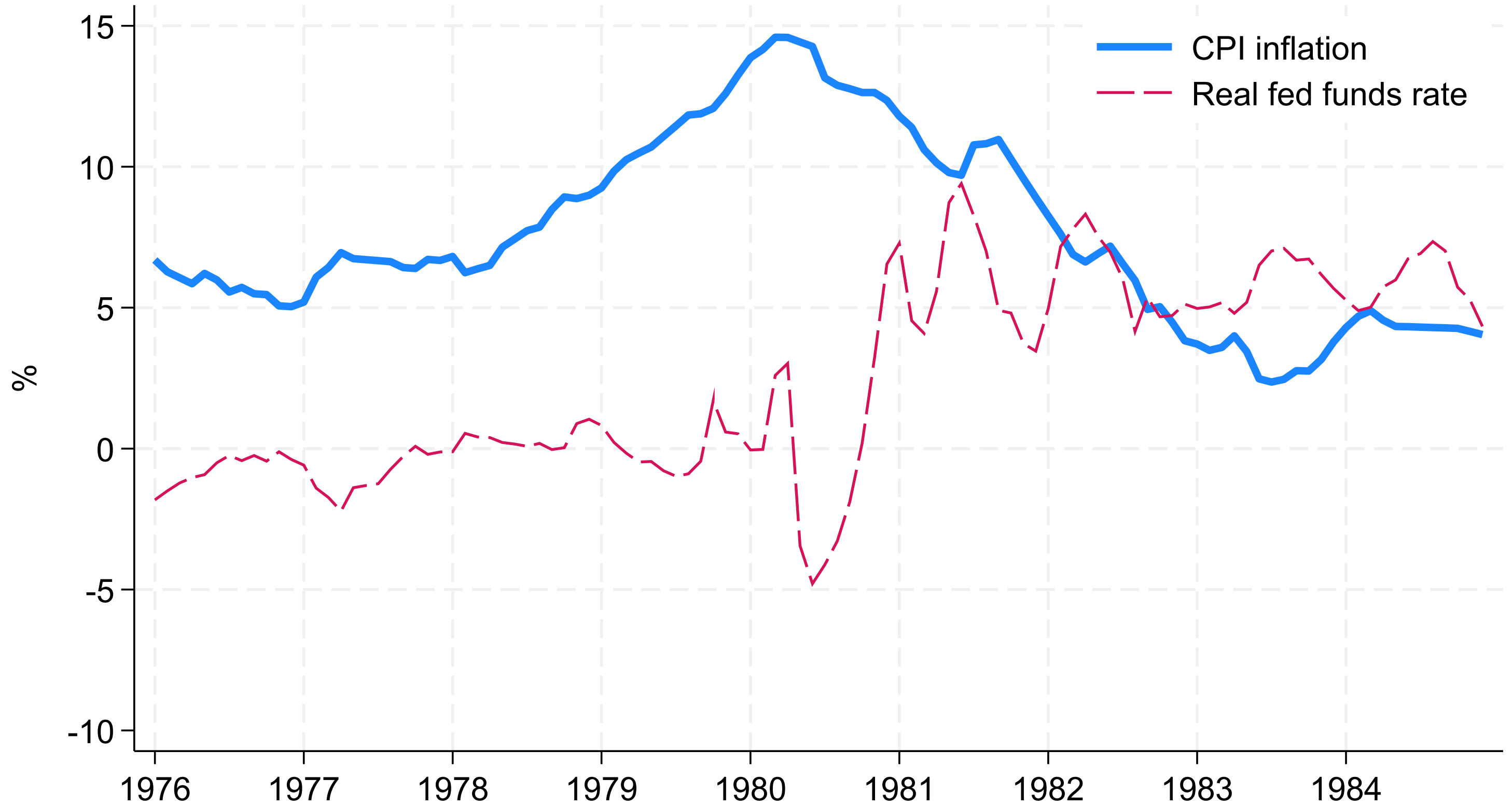
Yuriy Gorodnichenko  
UC Berkeley and 



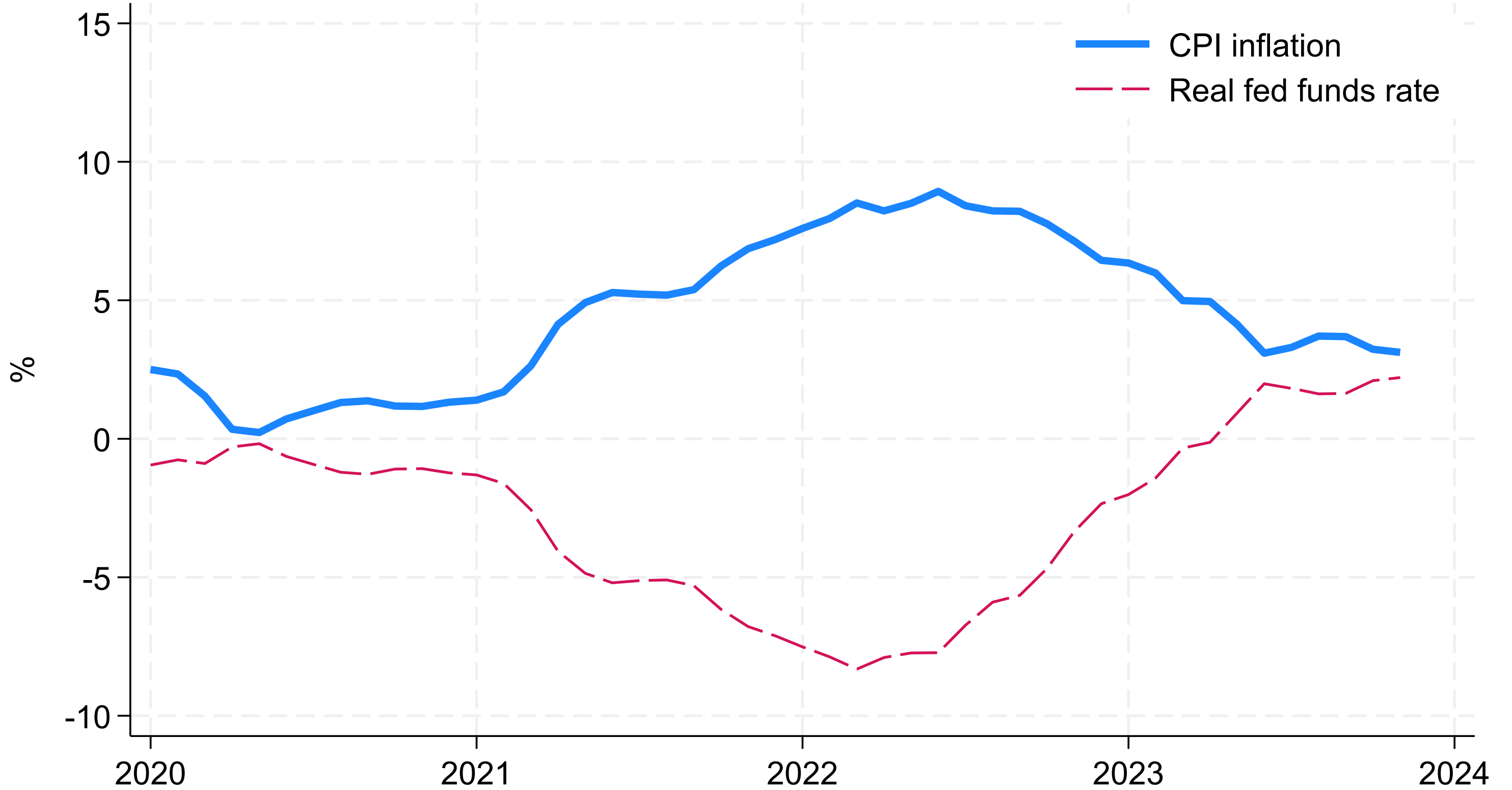




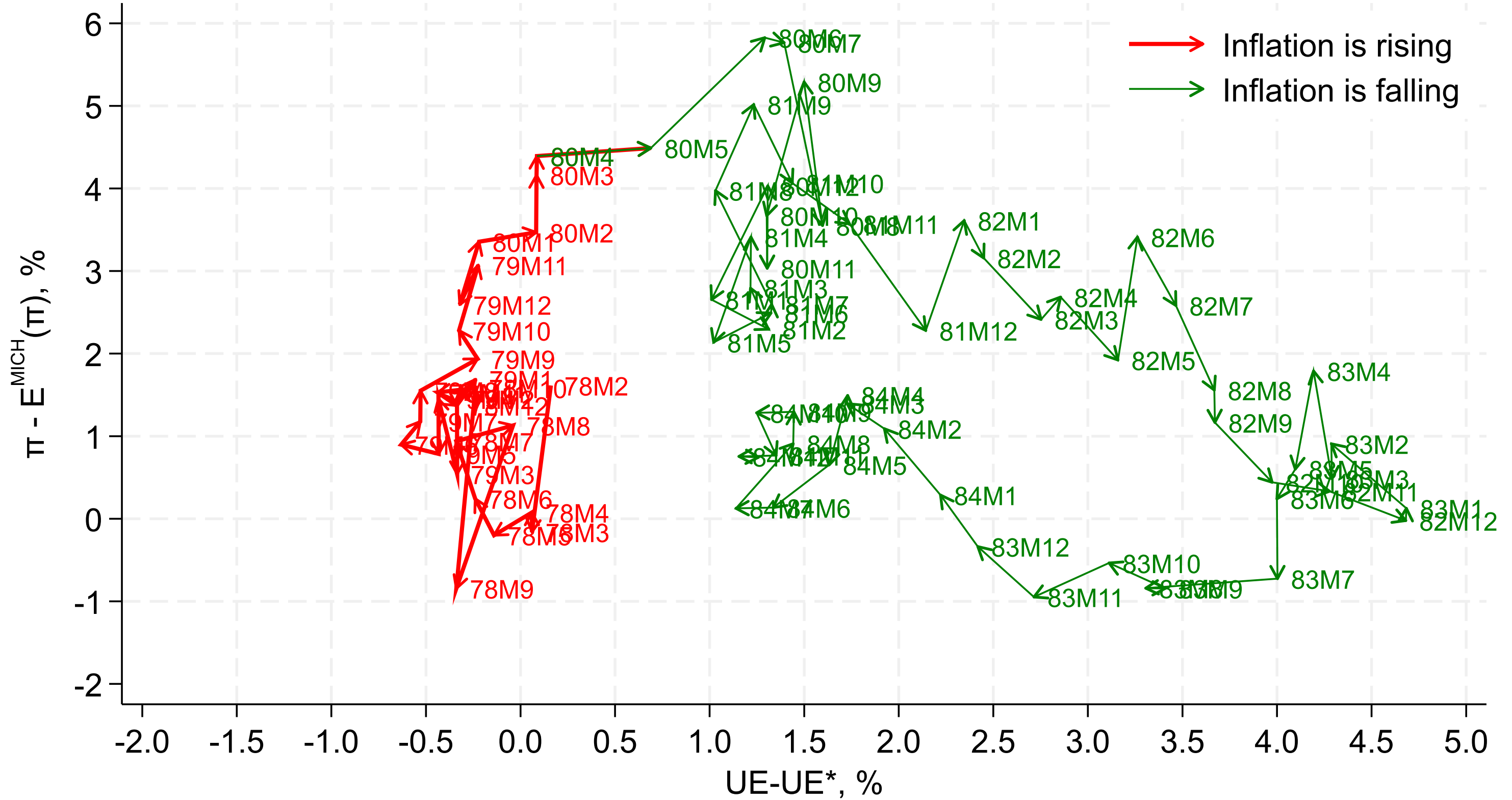
# Volcker disinflation



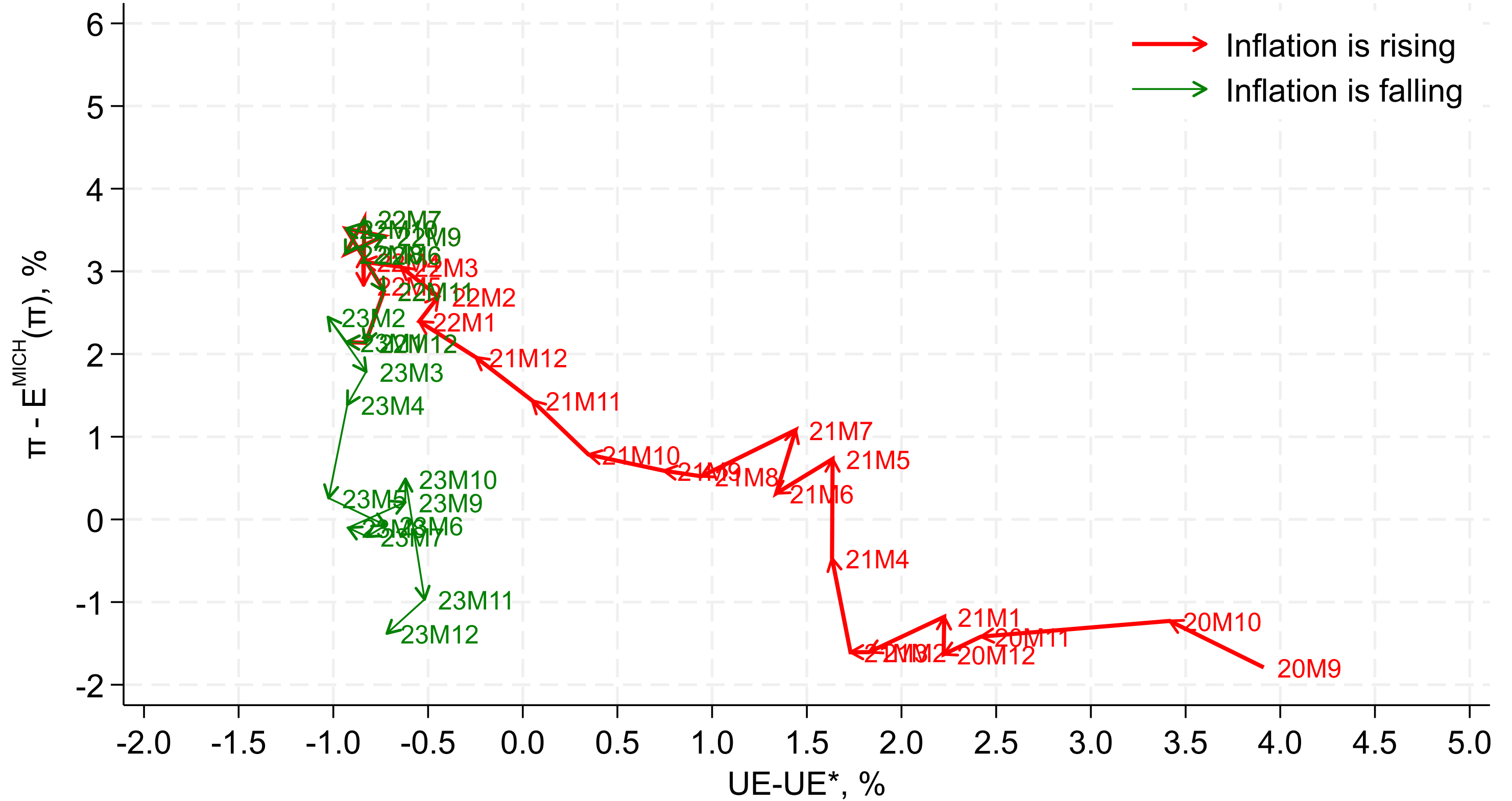
# Current disinflation



# Volcker disinflation

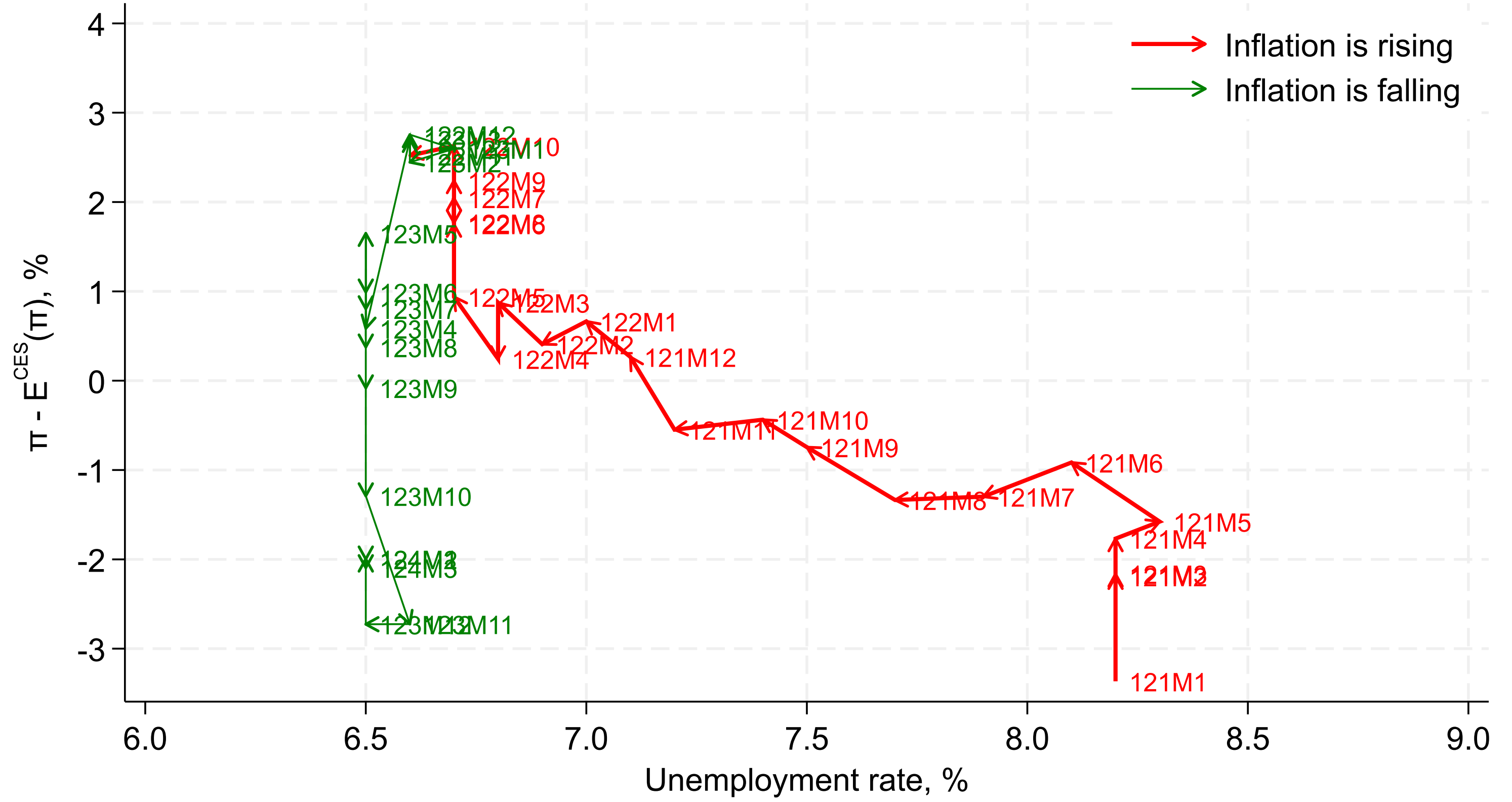


# Current disinflation

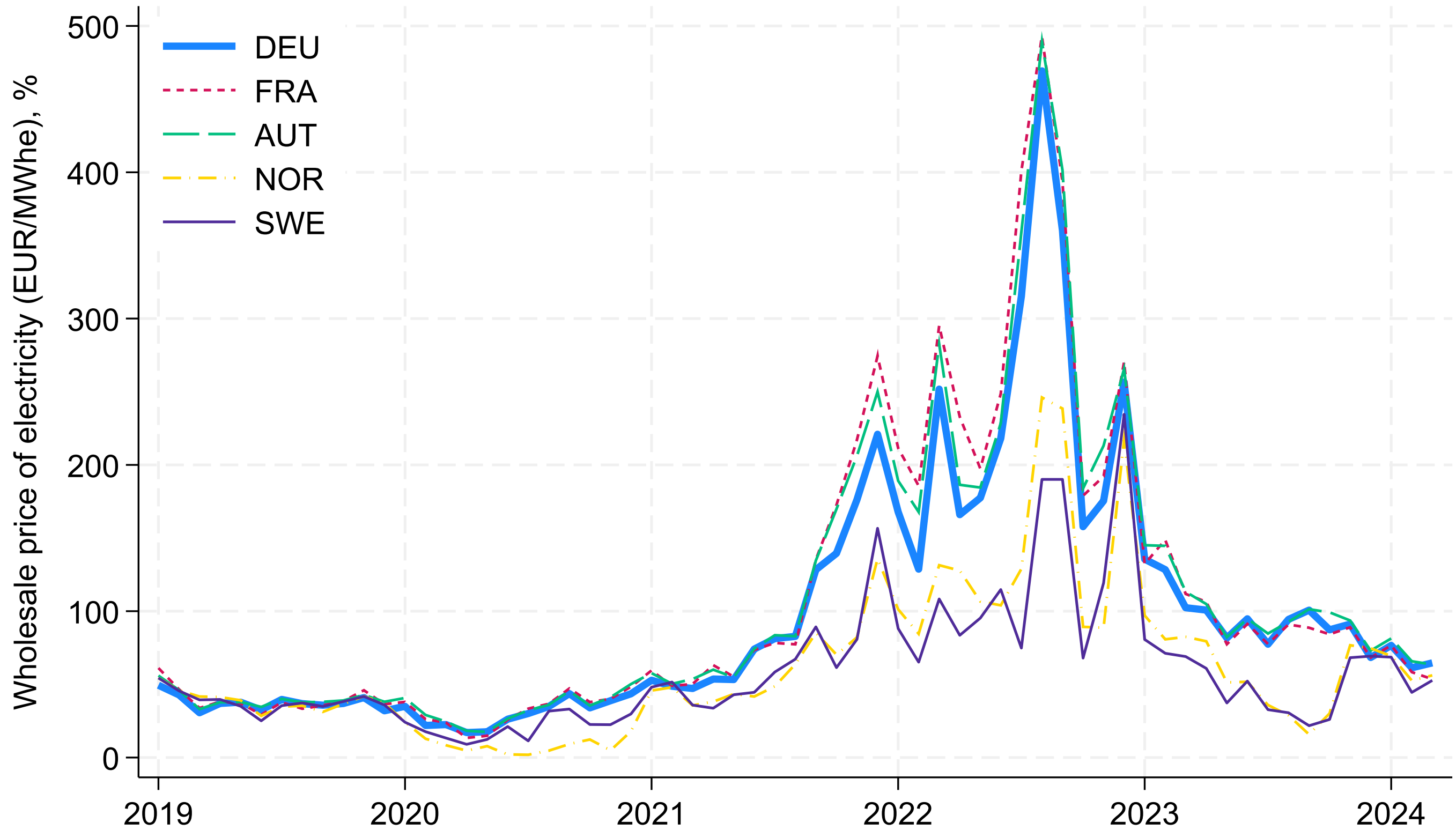


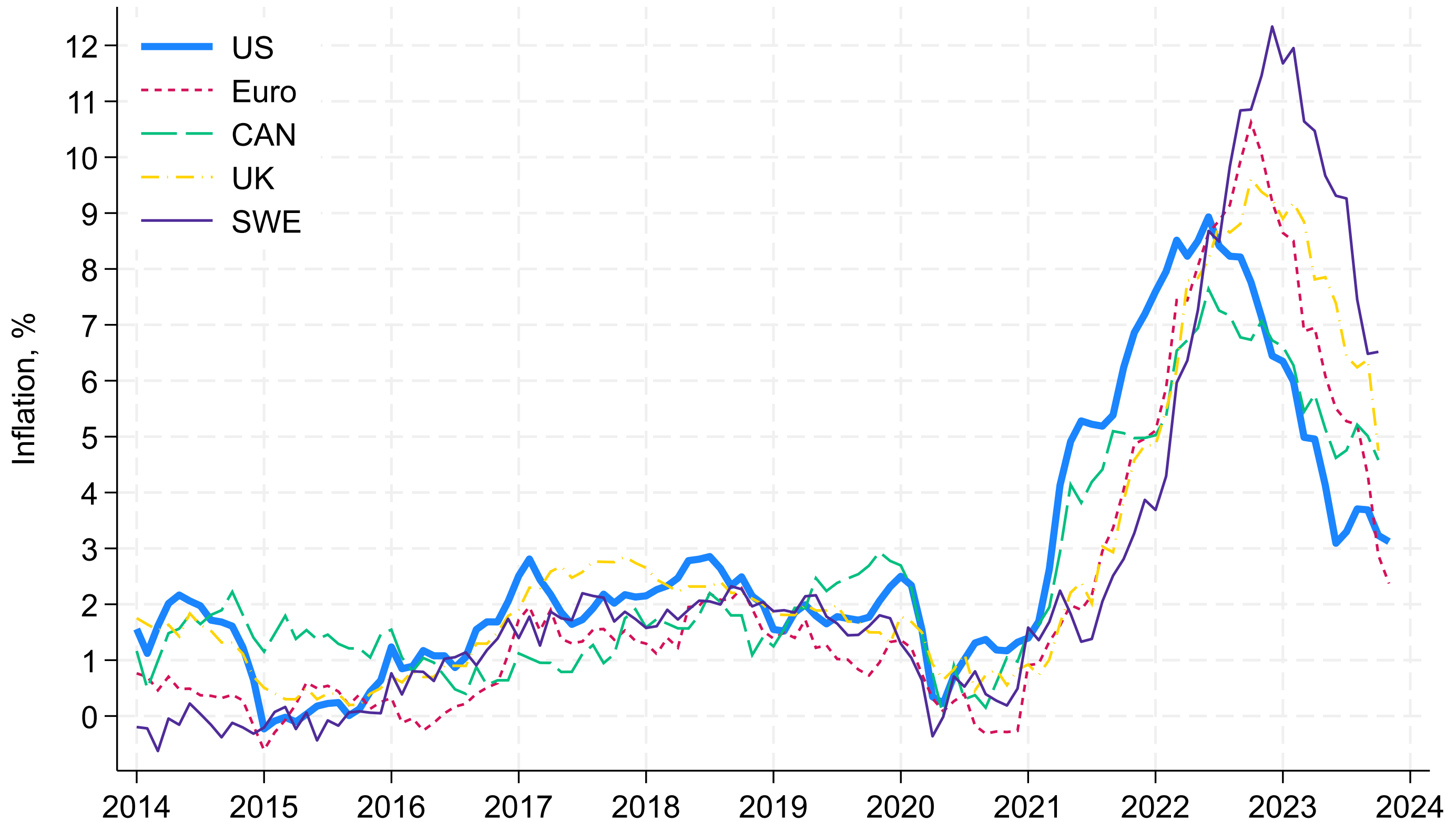


# Current disinflation in the Euro area



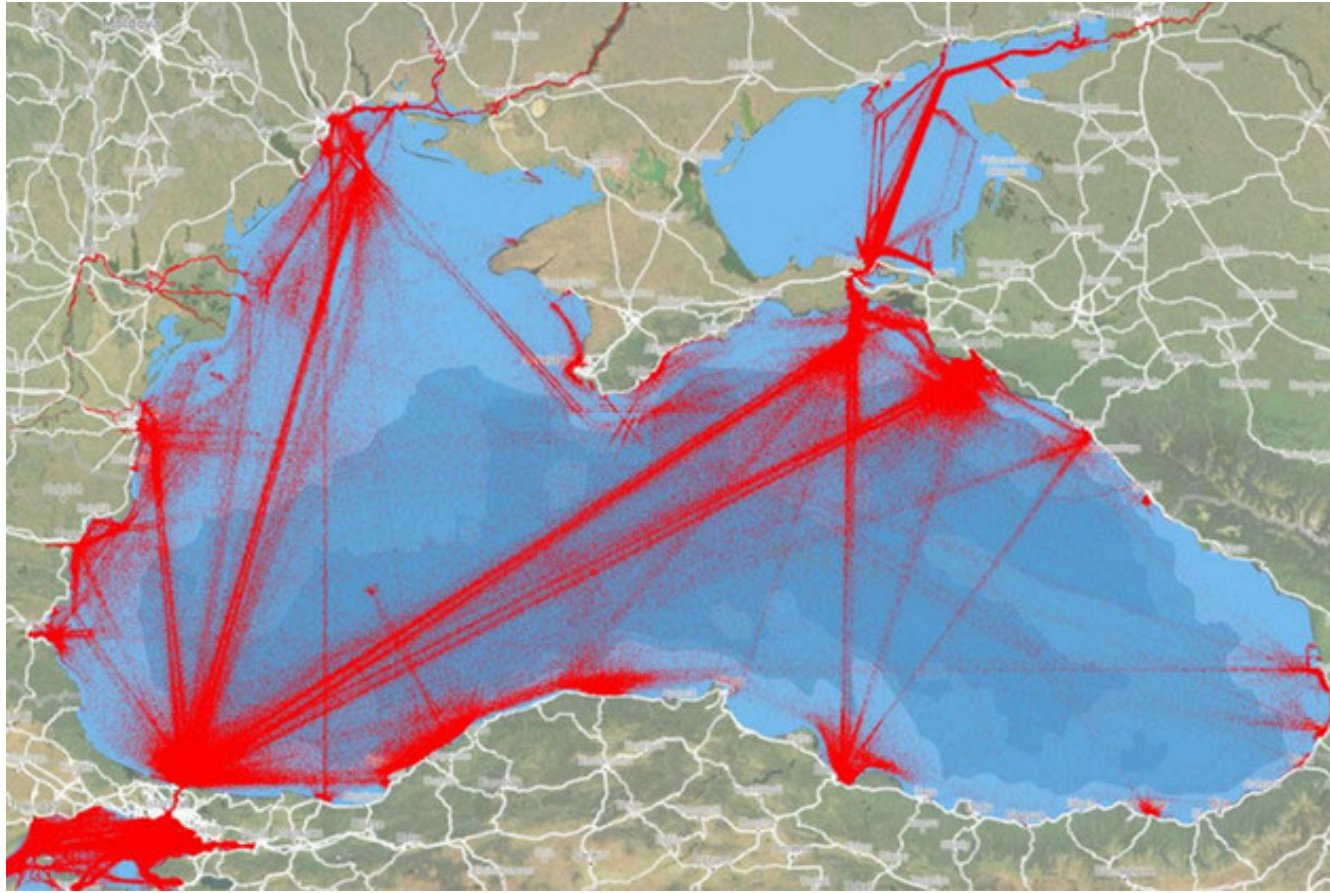
# PRICE OF ELECTRICITY IN EUROPE





At least some disinflation has been outside CBs' control

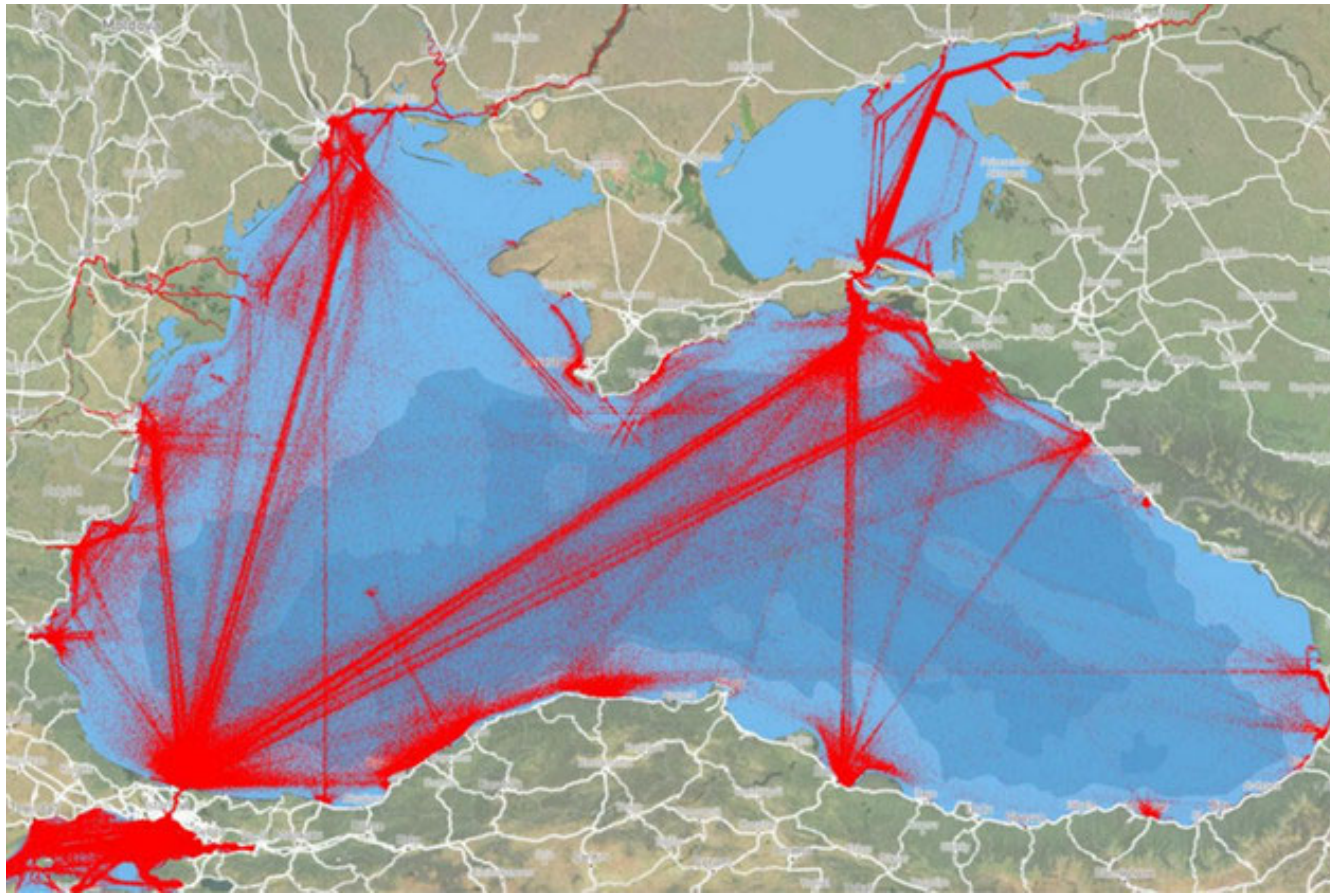
# #1: COMMODITY PRICES & VOLATILITY



## Pre-war sea traffic in the Black Sea

- Russia's Black Sea grain terminals handle about 70% of the country's grain exports. Ports in the Azov Sea handle the remaining 30% of Russia's grain exports.

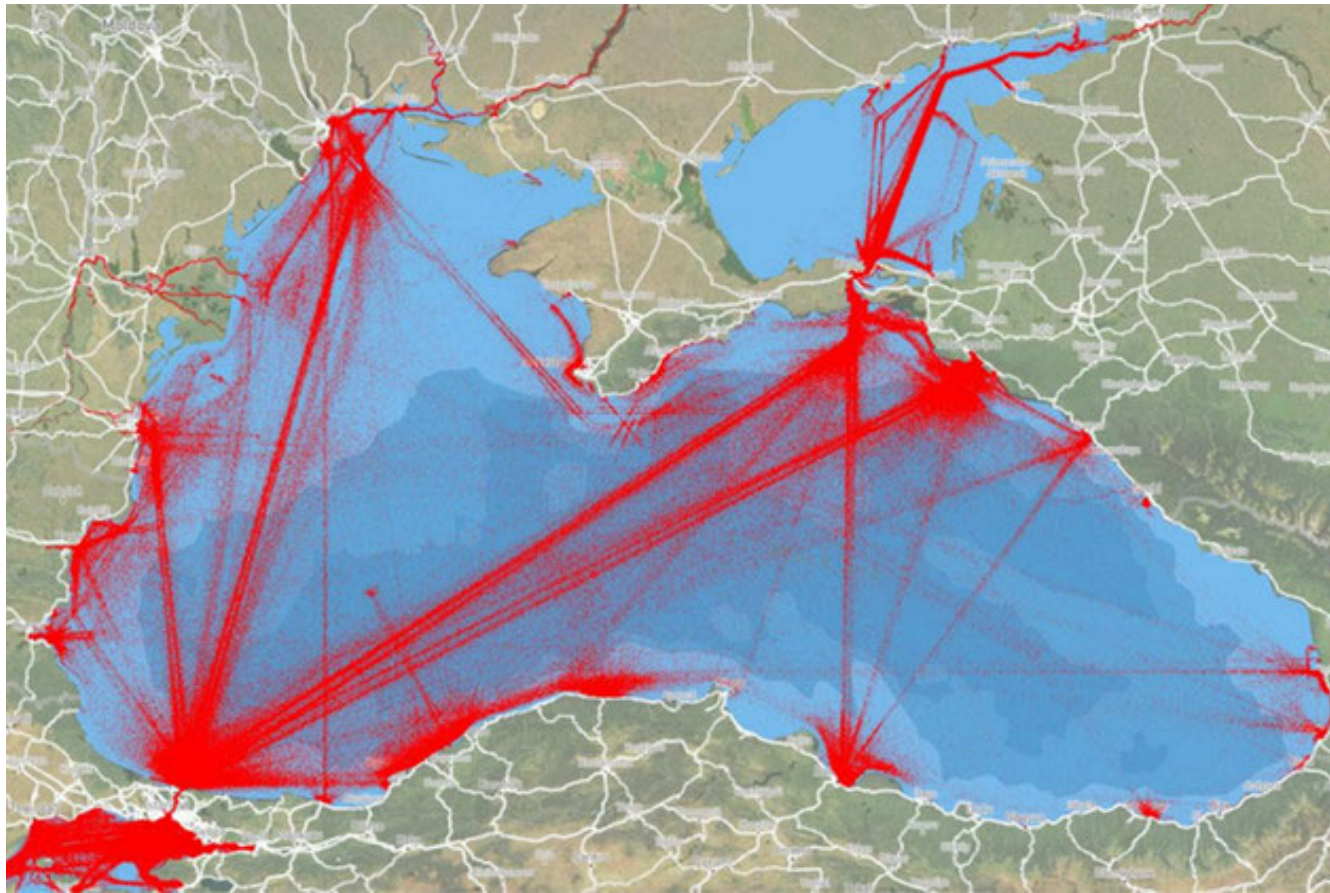
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Russian oil refinery in Tuapse (Black Sea) on fire, January 25, 2024

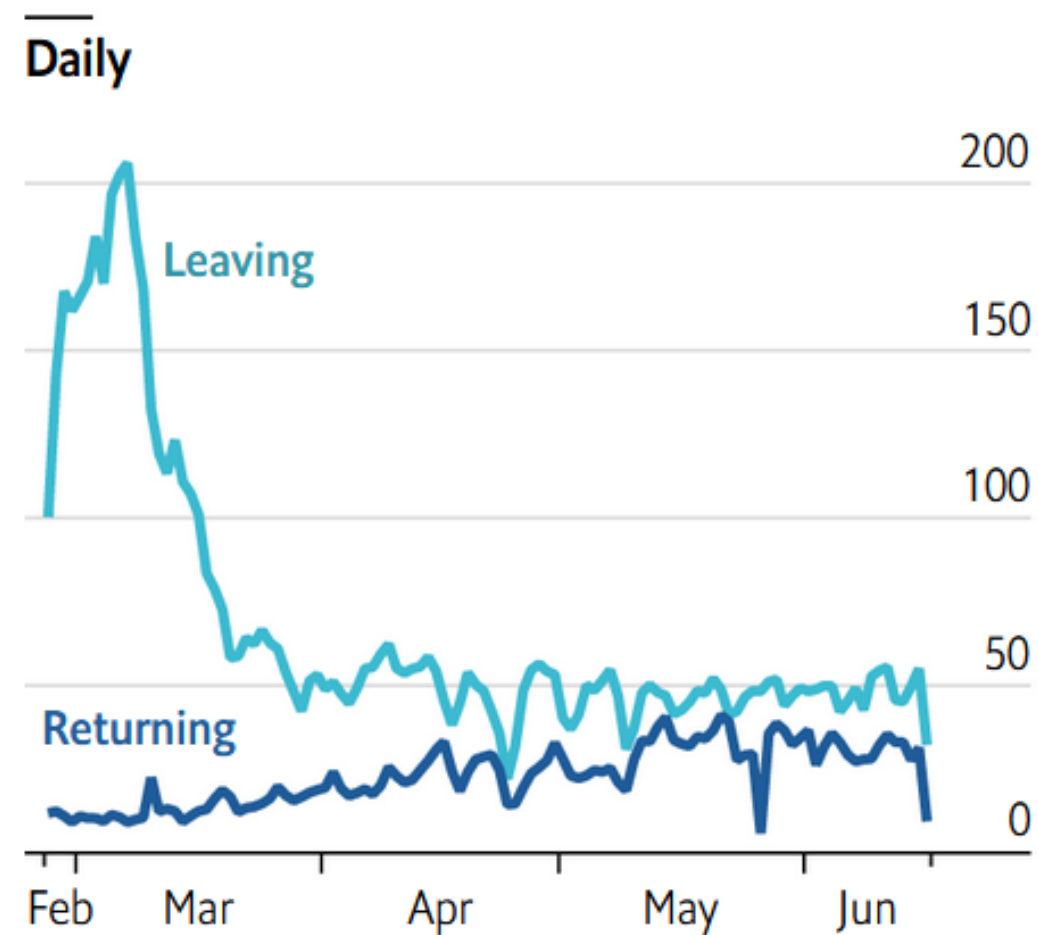
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# #2: MORE PRESSURE ON STRAINED PUBLIC FINANCES

Refugees from UKR (maybe +20 million)

## Coming home again

Ukraine, border crossings to June 16th 2022, '000



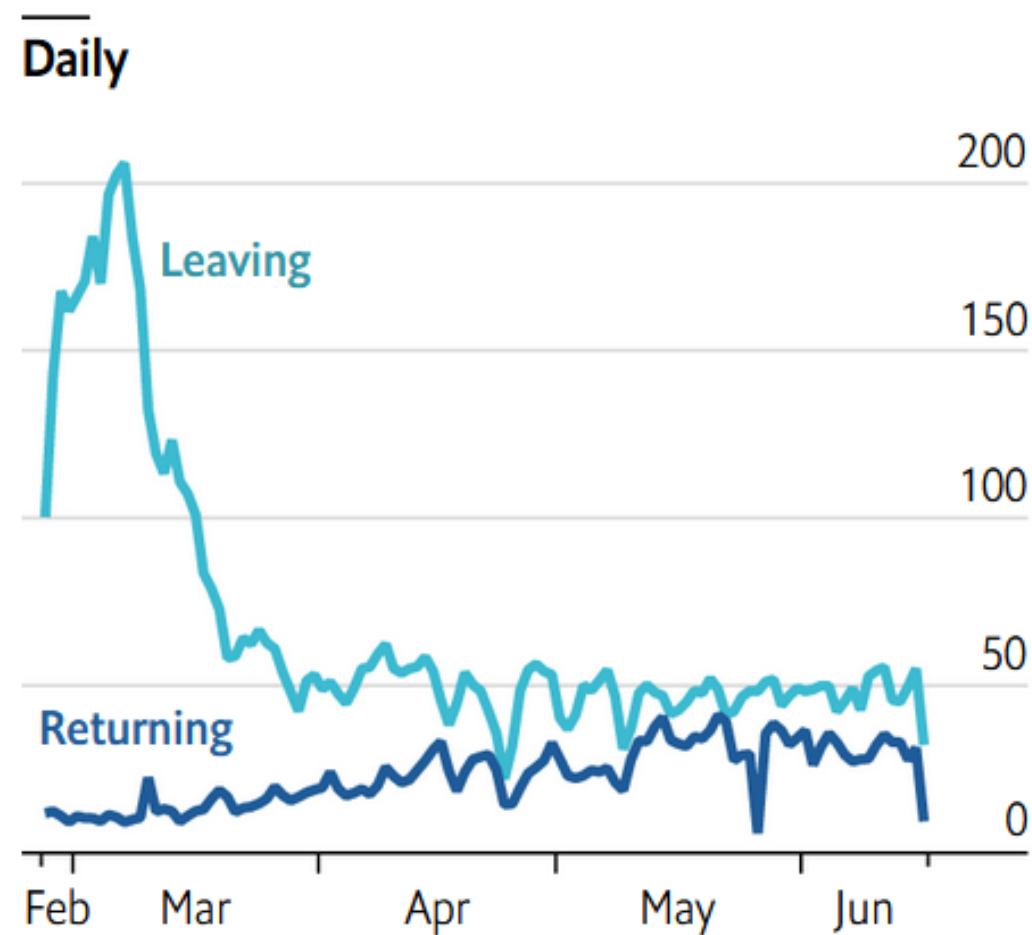
Source: UN Refugee Agency

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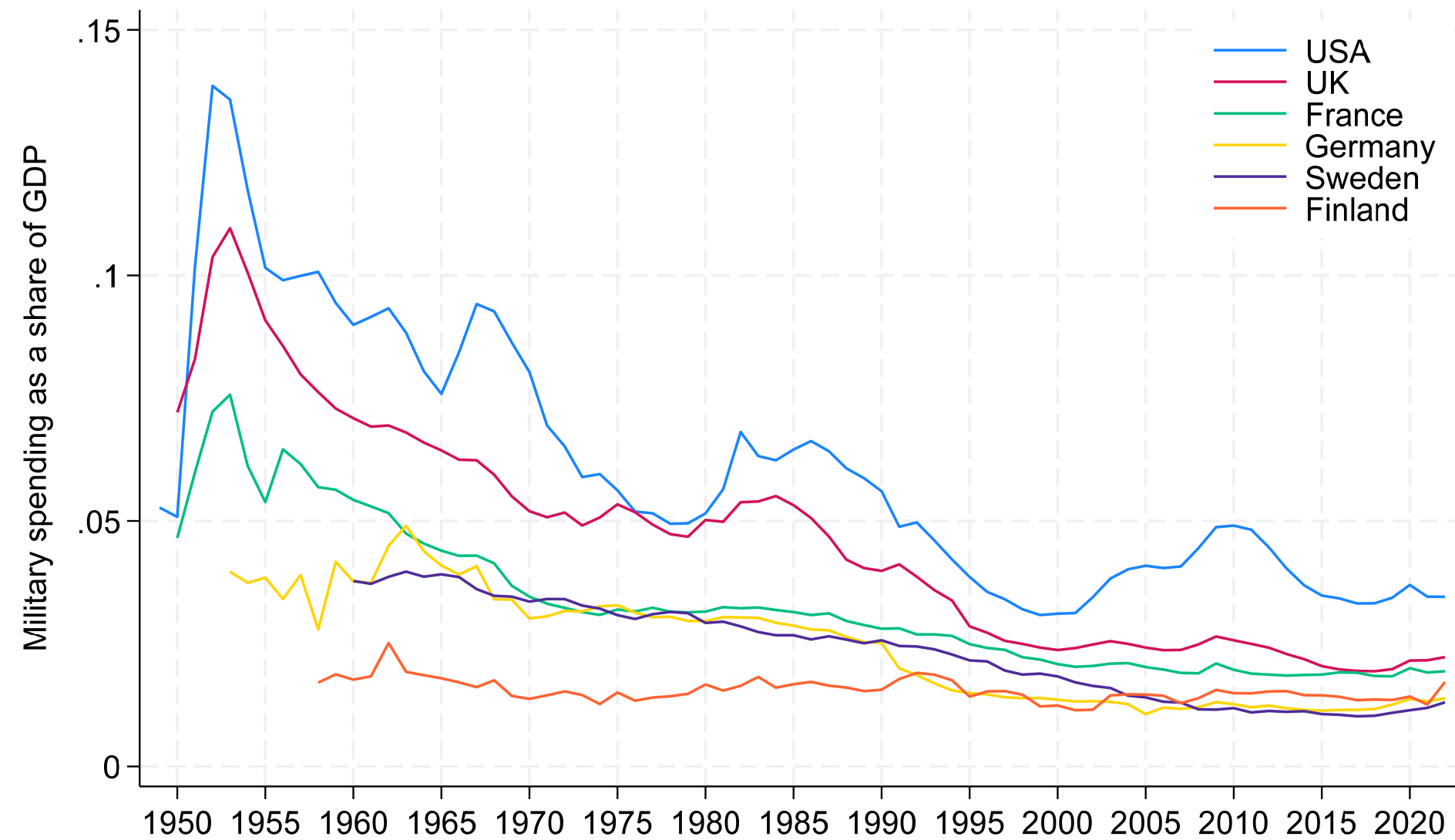
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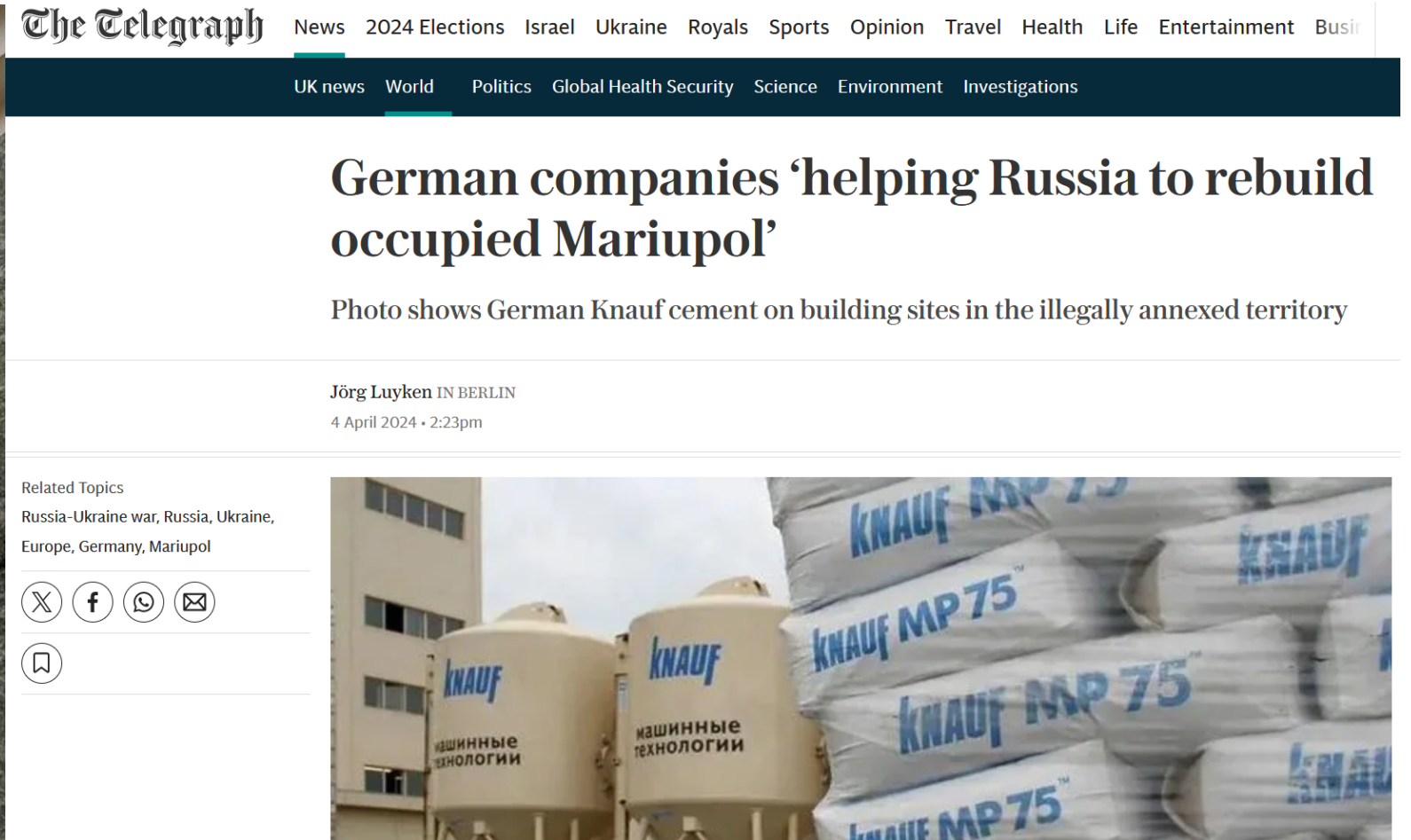
Source: UN Refugee Agency

Cold war experience => Double defense spending





# #3: EXPOSURE TO RUSSIA AND OTHER “FRIENDS”



- Austria’s Raiffeisen bank (SIFI in the Euro zone) in 2023: €2.4 billion in net profits (~40% in Russia), paid €464 million in income tax in Russia.
- Knauf invested \$1.8 billion in Russia since 1993. In 2022, Knauf paid \$117 million in taxes in Russia. After German authorities opened investigation into helping the Russian government to rebuild Mariupol, Knauf declared to pull out from Russia.

# #4: EUROPE CAN BECOME A DANGEROUS PLACE



A Russian drone crashed in Romania



Russia sends migrants to the Finnish border



Lecornu: “Russia weakens our national cohesion.”

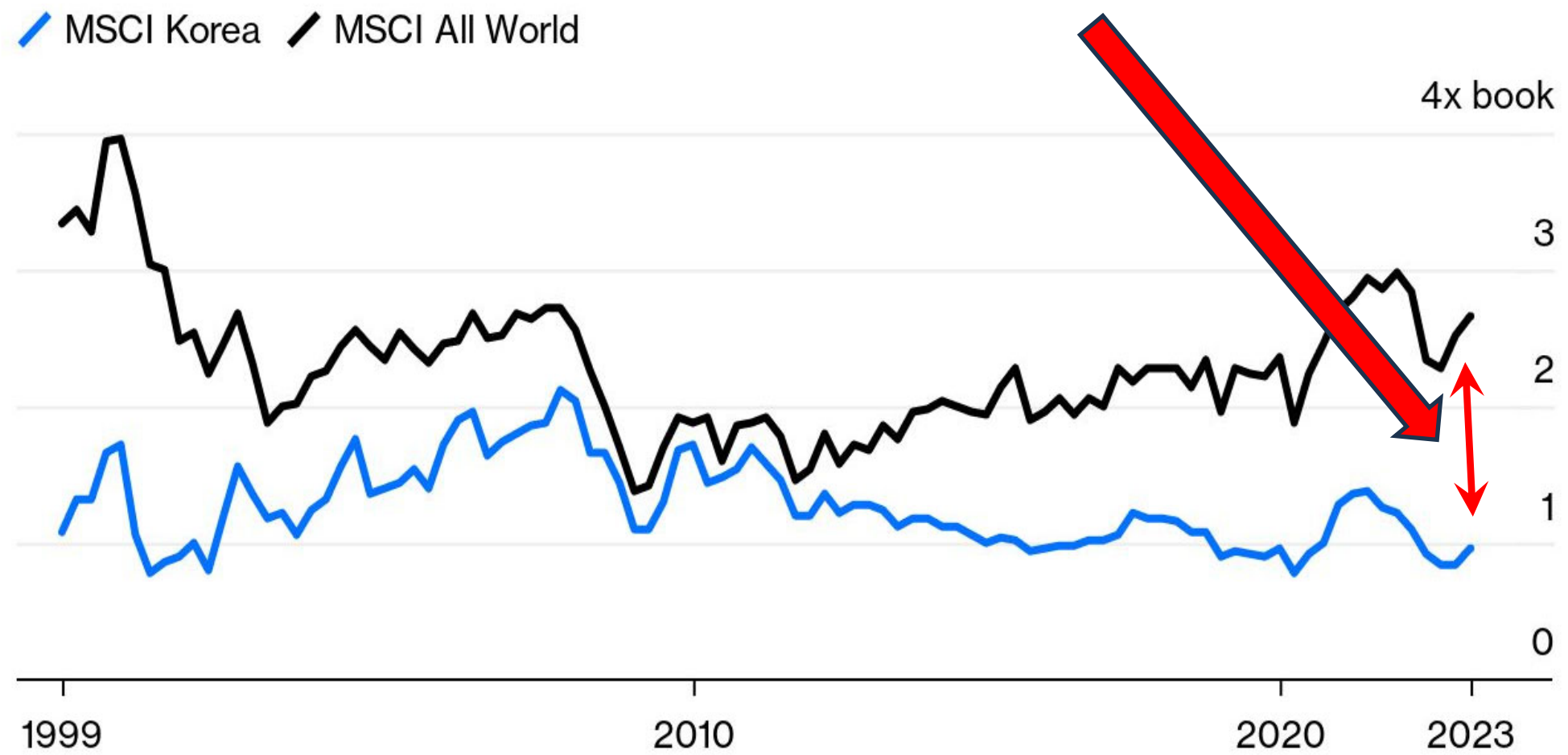
Nuclear power plants in Ukraine



Accidents happen...

# #4: EUROPE CAN BECOME A DANGEROUS PLACE

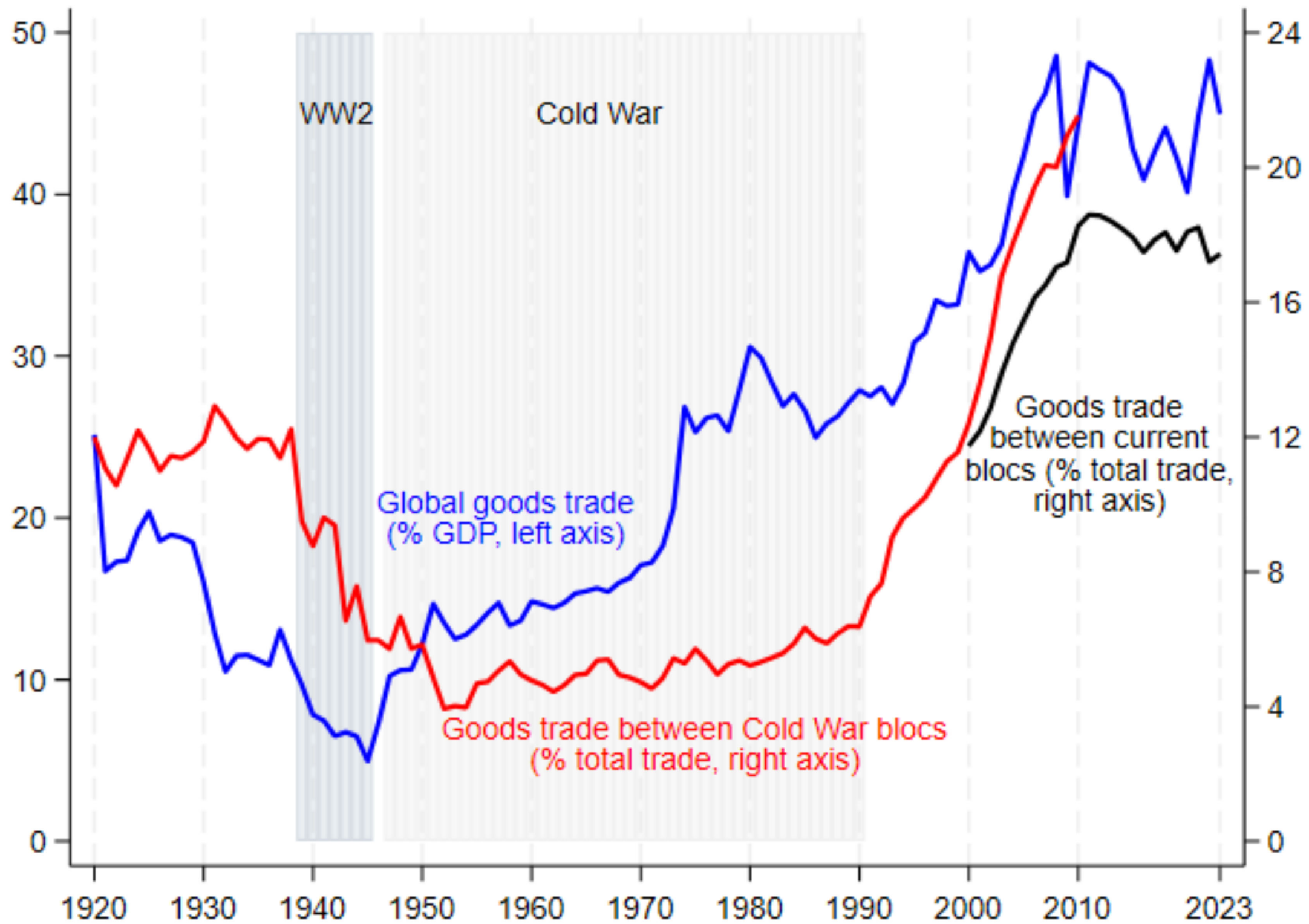
“Korean discount”



Source: Bloomberg

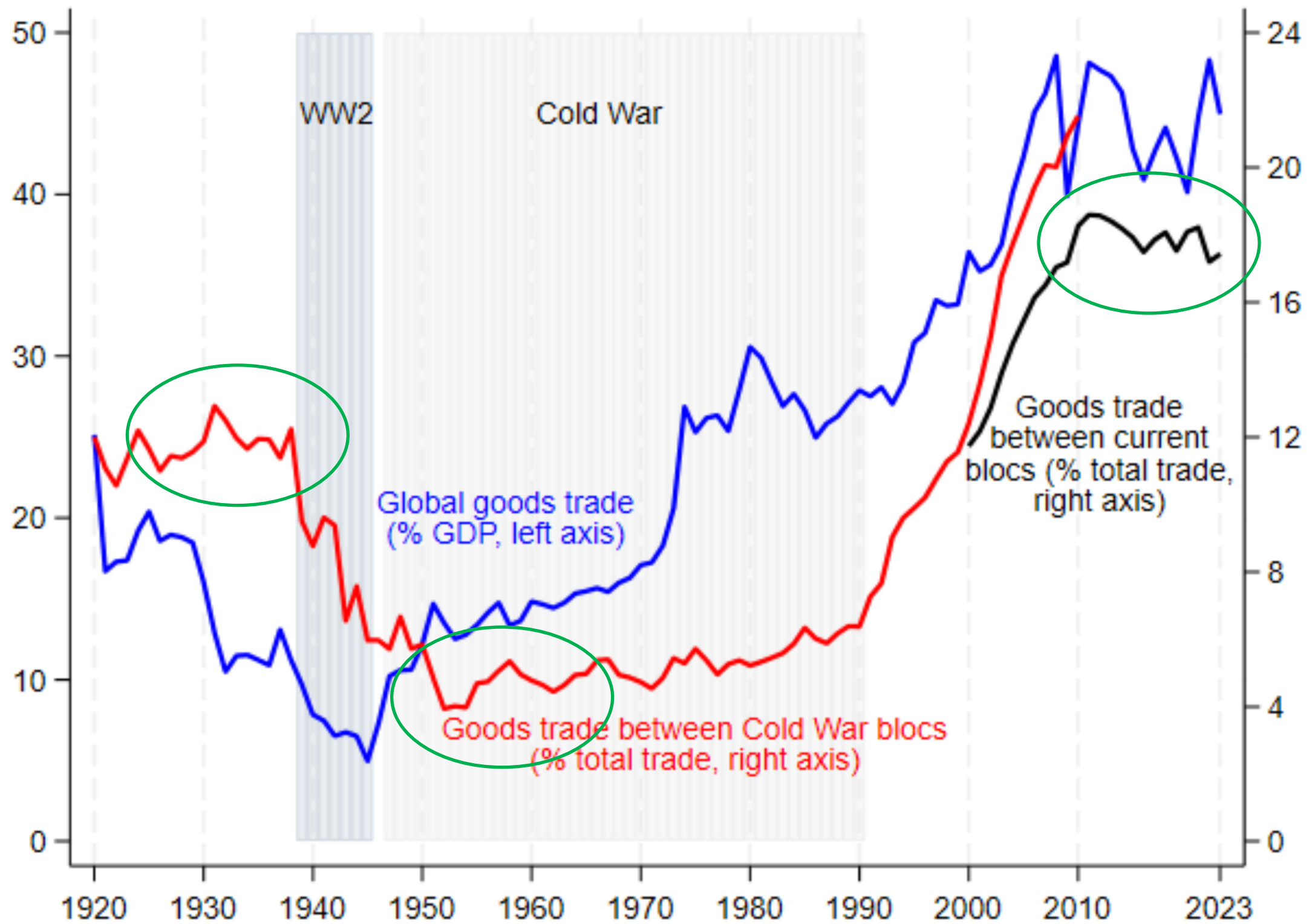
Bloomberg

# TRADE BETWEEN BLOCS

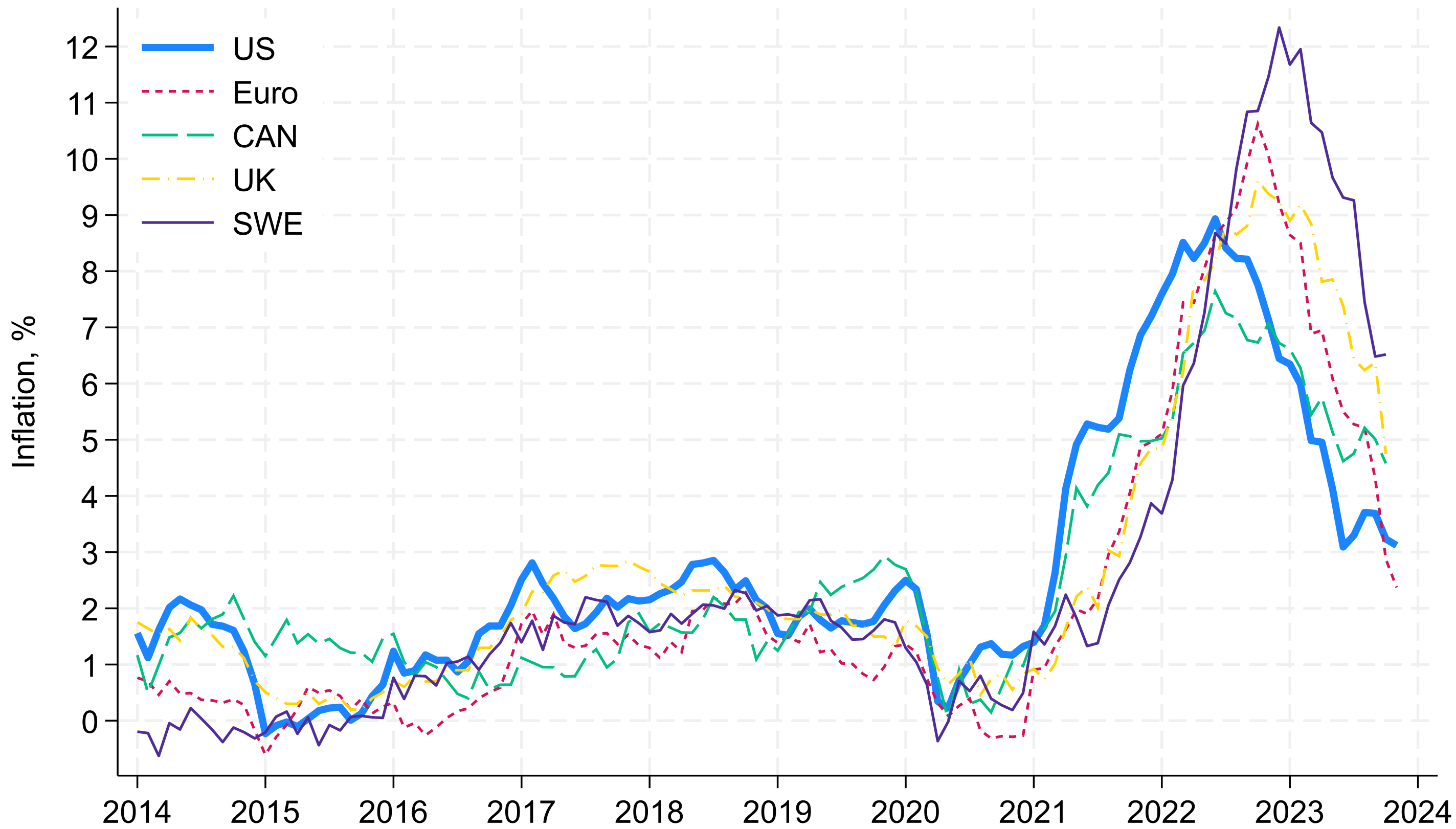


Source: Gopinath (2023) and Gourinchas (2024)

# TRADE BETWEEN BLOCS



Source: Gopinath (2023) and Gourinchas (2024)



Progress! but much uncertainty and work to do