MONETARY POLICY IN EUROPE: OUT OF THE WOODS?

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Current disinflation
Volcker disinflation

- Inflation is rising
- Inflation is falling
PRICE OF ELECTRICITY IN EUROPE

Wholesale price of electricity (EUR/MWh), %

- DEU
- FRA
- AUT
- NOR
- SWE

Years: 2019 to 2024
At least some disinflation has been outside CBs’ control
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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#2: MORE PRESSURE ON STRAINED PUBLIC FINANCES

Refugees from UKR (maybe +20 million)

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**Coming home again**

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

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**Daily**

![Graph showing daily numbers of refugees leaving and returning to Ukraine](source: UN Refugee Agency)
#2: More Pressure on Strained Public Finances

Refugees from UKR (maybe +20 million)

- Cold war experience => Double defense spending

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Source: UN Refugee Agency

### Military spending as a share of GDP

- USA
- UK
- France
- Germany
- Sweden
- Finland
#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.”

Accidents happen…
#4: EUROPE CAN BECOME A DANGEROUS PLACE

“Korean discount”

Source: Bloomberg
TRADE BETWEEN BLOCS

Source: Gopinath (2023) and Gourinchas (2024)
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Progress! but much uncertainty and work to do