

# **SUERF-OeNB conference**

## Policy Session

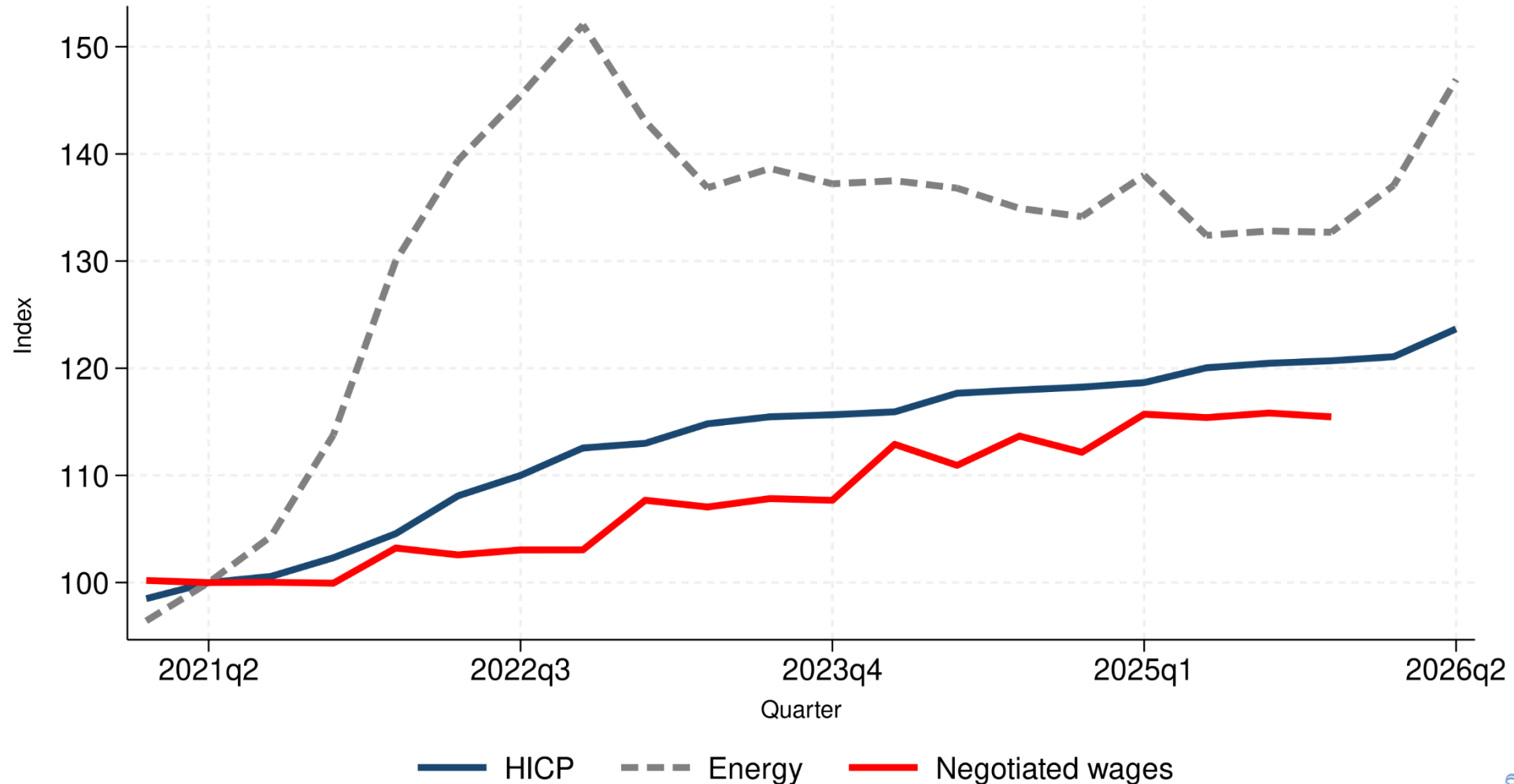
**“Labor markets, wage setting and  
employment stability”**

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Banca d'Italia

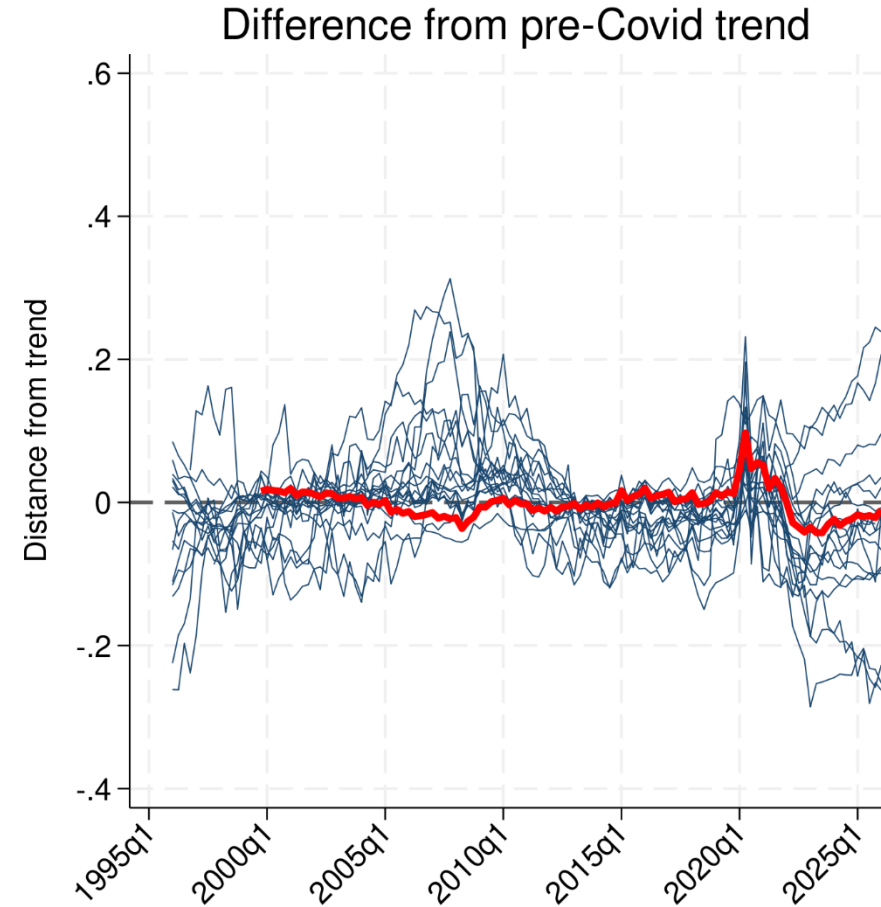
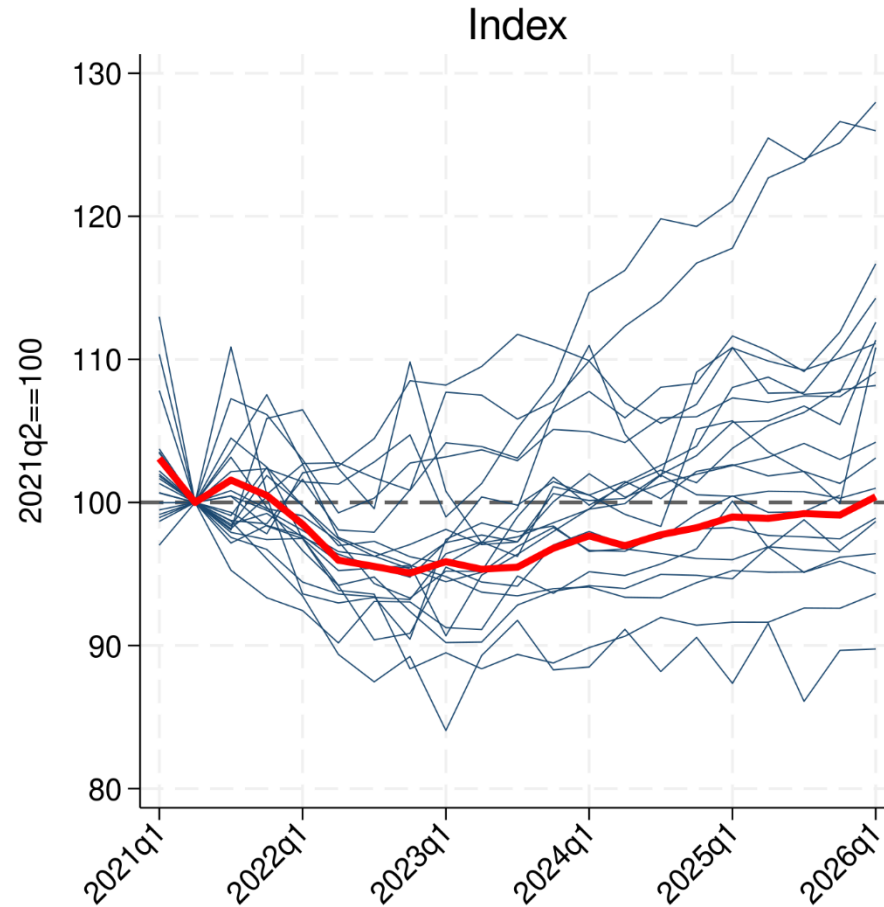
Vienna, 18-19 June 2026

Euro area: the delayed response of wages allowed prices to slow down after the acceleration in 2022. Wages increased when other costs were already declining



# Real wages are back to pre-shock levels — but still below their pre-shock trend

## Hourly wages in real term

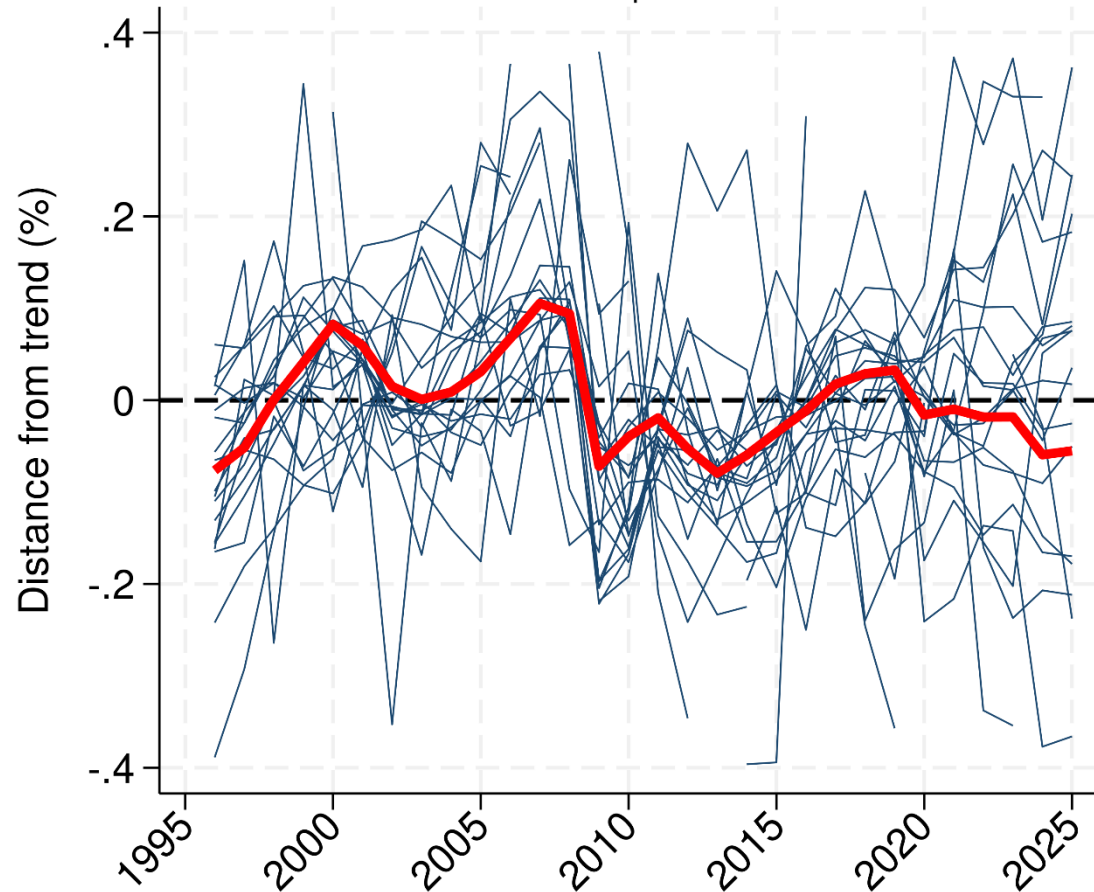


Private sector only (B-N). Deflated by the use of HICP

# Relative input prices favoured labour hoarding over capital deepening

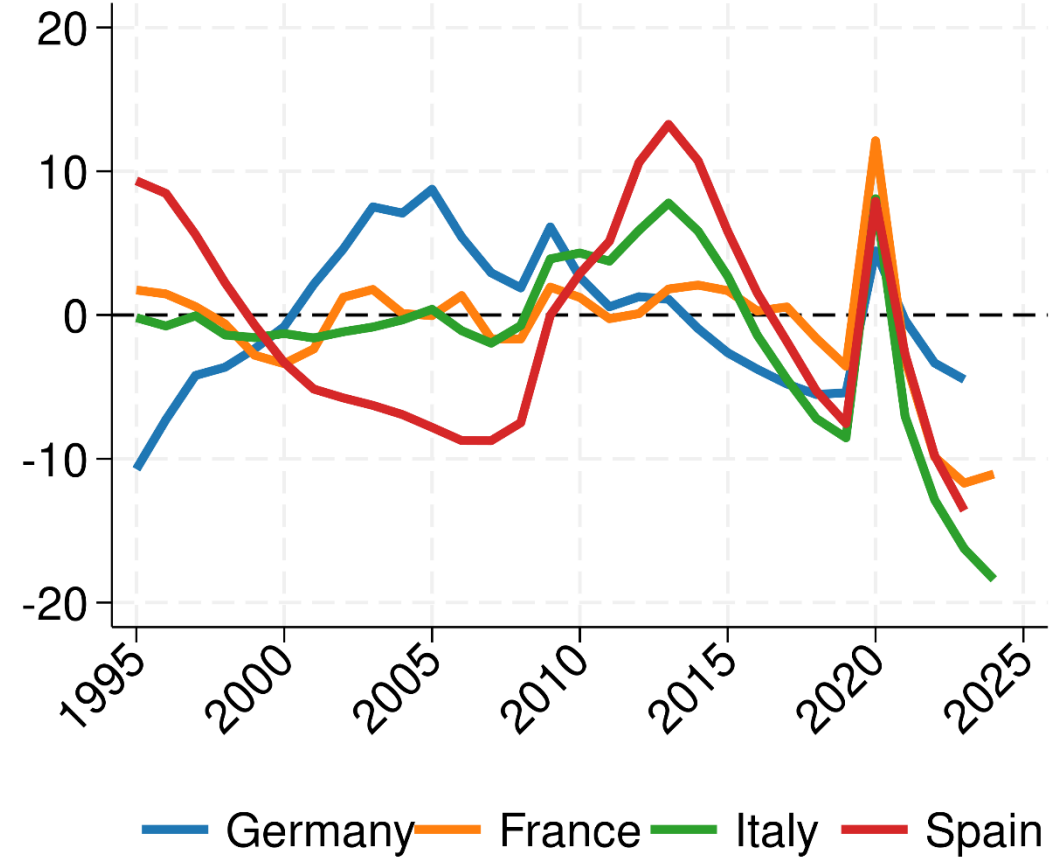
## Investments per hour worked

Difference from pre-Covid trend



## Net capital stock per hour worked

Difference from pre-Covid trend

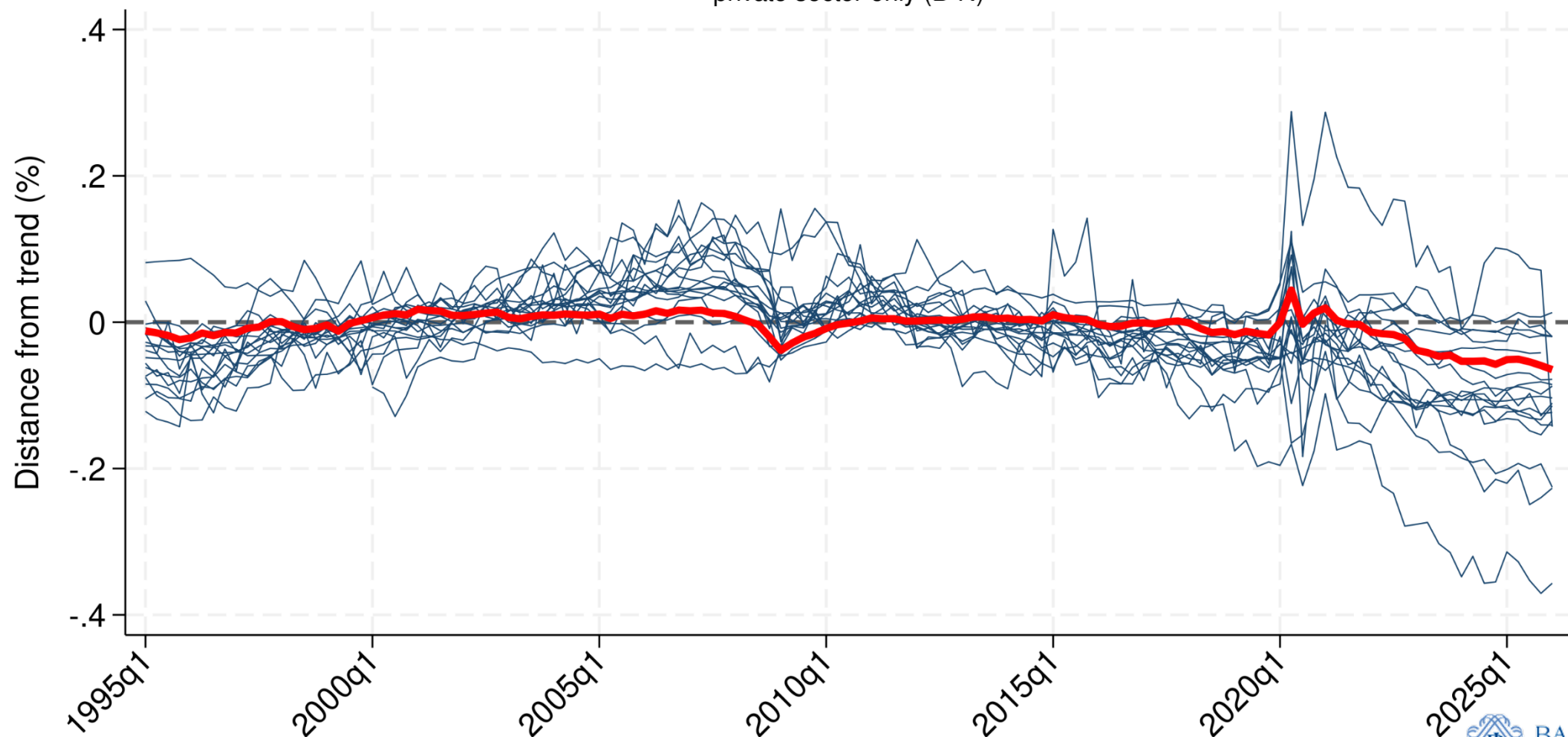


Greco and Torrini (2026), Banca d'Italia

# Employment resilience came with a productivity cost

Value added per hour worked. Difference from pre-Covid trend

private sector only (B-N)



# The euro area faces a second energy shock with real wages still fragile

## Key euro area variables under the baseline and alternative scenarios

(annual percentage changes)

	Real GDP growth			HICP inflation			HICP inflation excluding energy and food		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
<b>June 2026 baseline</b>	0.8	1.2	1.5	3.0	2.3	2.0	2.5	2.5	2.2
<b>Milder scenario</b>	0.8	1.4	1.6	2.9	1.8	1.8	2.4	2.3	2.1
<b>Adverse scenario</b>	0.7	0.9	1.5	3.3	3.0	2.3	2.5	2.7	2.3
<b>Severe scenario</b>	0.5	0.4	1.6	4.0	5.3	3.0	2.5	3.8	2.9

Source: ECB staff calculations based on ECB-BASE model simulations.

**Wage tracker: 2.6% in 2026**

# Policy challenges ahead

- Employment resilience has been achieved partly through labour hoarding and weaker capital deepening, also supported by employment protection and policy measures.
- If  $K/L$  remains weak, productivity (and wages) may stay below trend for longer.
- The risk is that a cyclical response becomes a supply-side scar.
- Cross-country heterogeneity matters: the same shock may deepen divergence within the euro area, making policy design more difficult.
- AI could be a force for convergence — but also for divergence if adoption is uneven.

# Thank you

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