

Heterogeneity and monetary policy transmission in the euro area



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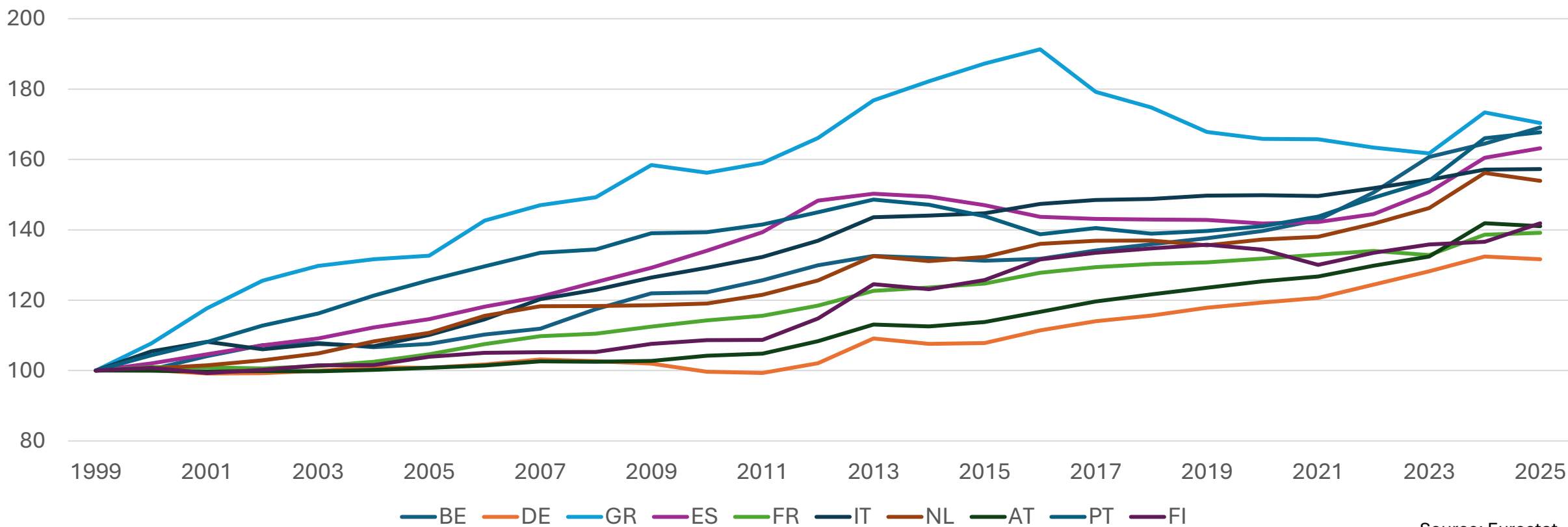
Heterogeneity really matters for common monetary policy...

- ☞ when it threatens the ability to deliver the mandate
- ☞ in normal times in the case of significant divergence
- ☞ in crisis times in the absence of buffers



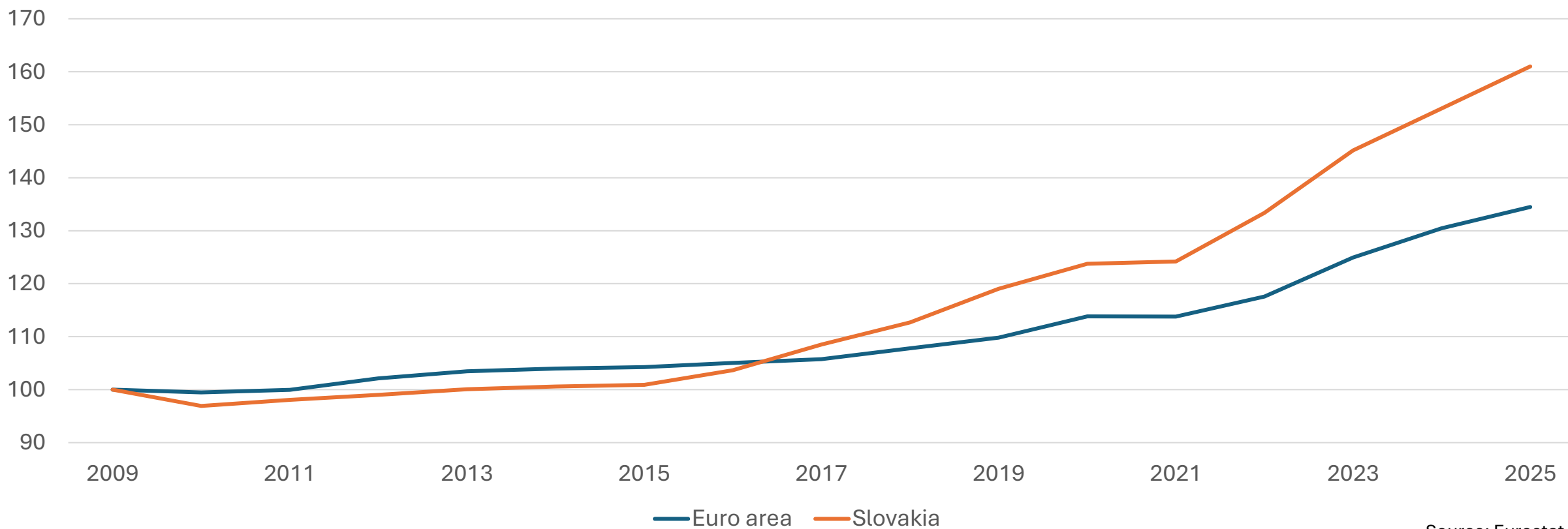
ULC divergence may have become less of a concern...

Nominal unit labour cost based on hours worked (index, 1999=100)



Source: Eurostat

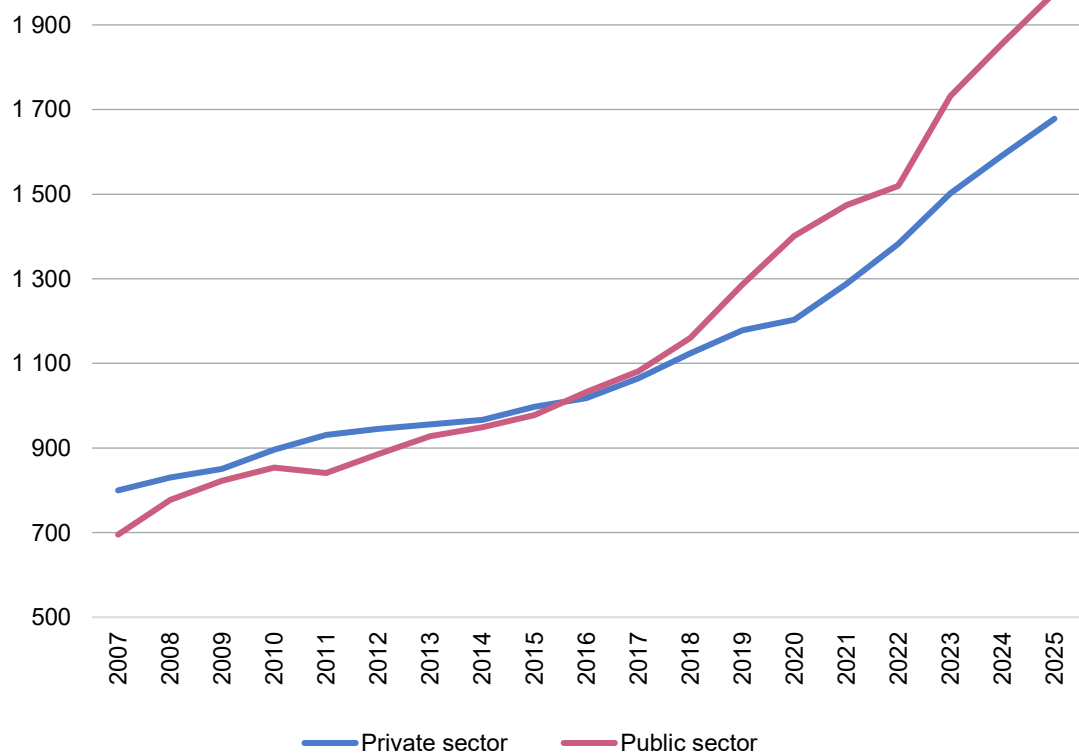
... although it should remain a concern at the country level



Source: Eurostat

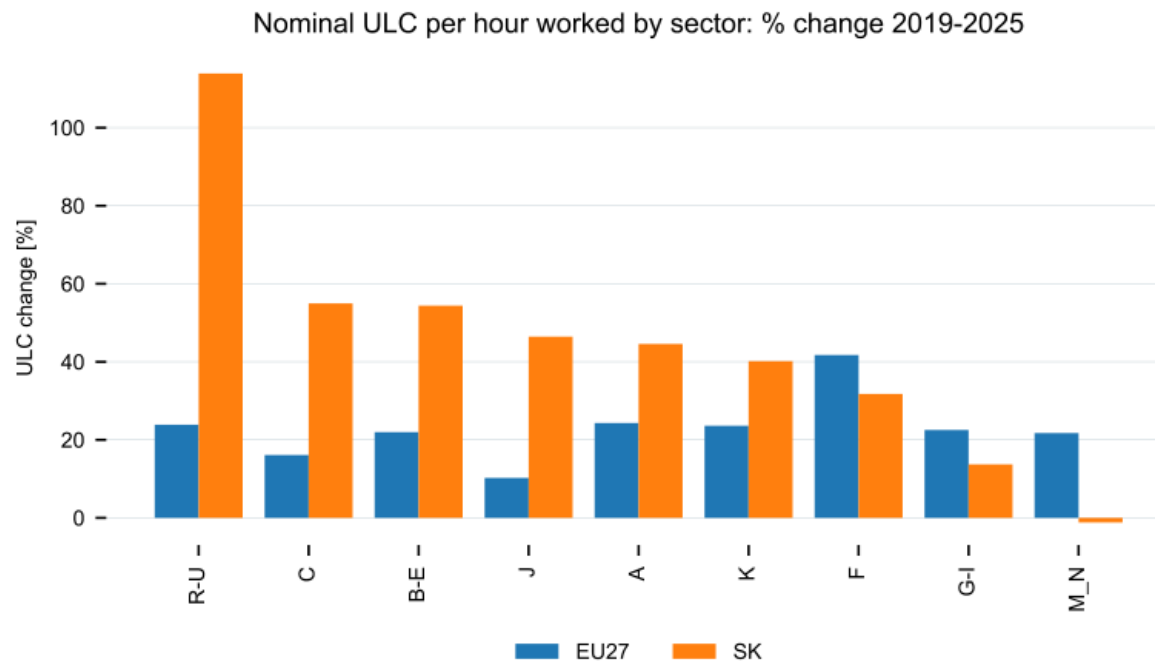
ULC developments can be a symptom and become a cause of imbalances

Average monthly wage public vs. private sector in Slovakia (EUR)



Source: SO SR, NBS

Slovakia versus EU27 (2019 - 2025)

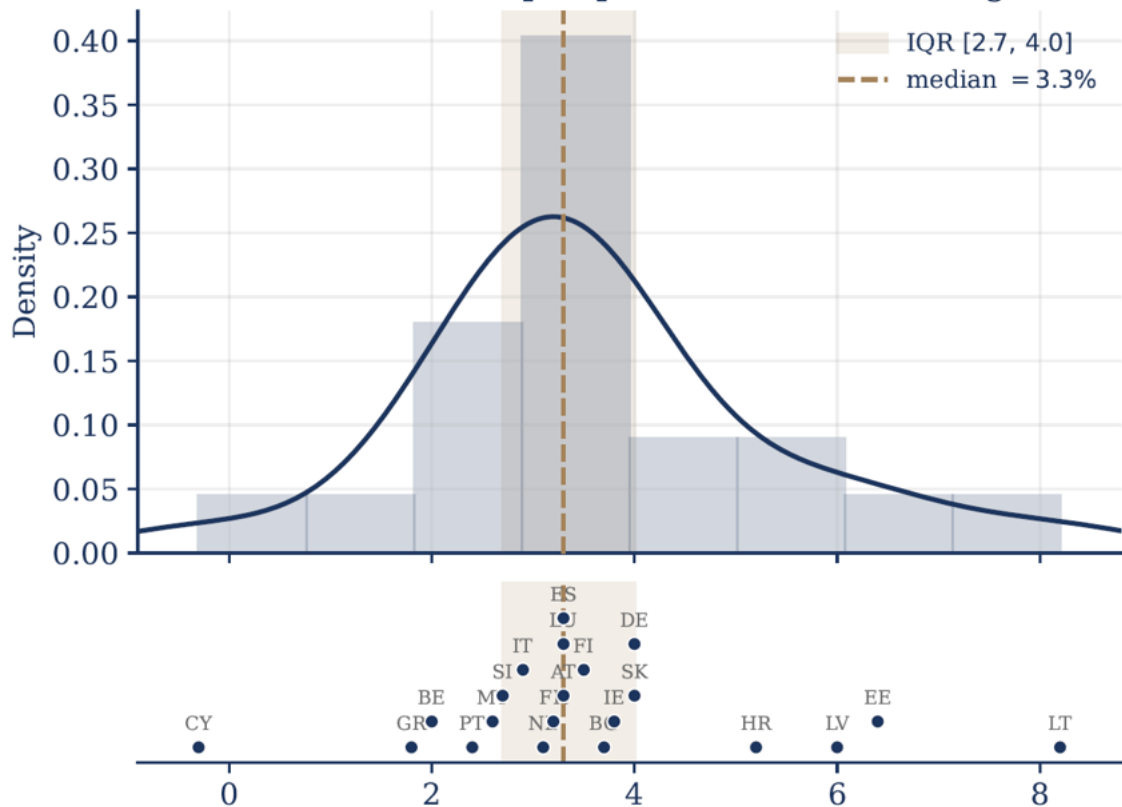


Note: A is agriculture, forestry and fishing; B-E industry except construction; C manufacturing; F construction; G-I wholesale and retail trade, transport, accommodation and food services; J information and communication; K financial and insurance activities; M-N professional, scientific, technical, administrative and support services; R-U arts and other services.

Source: Vanko and Sutoris (2026)

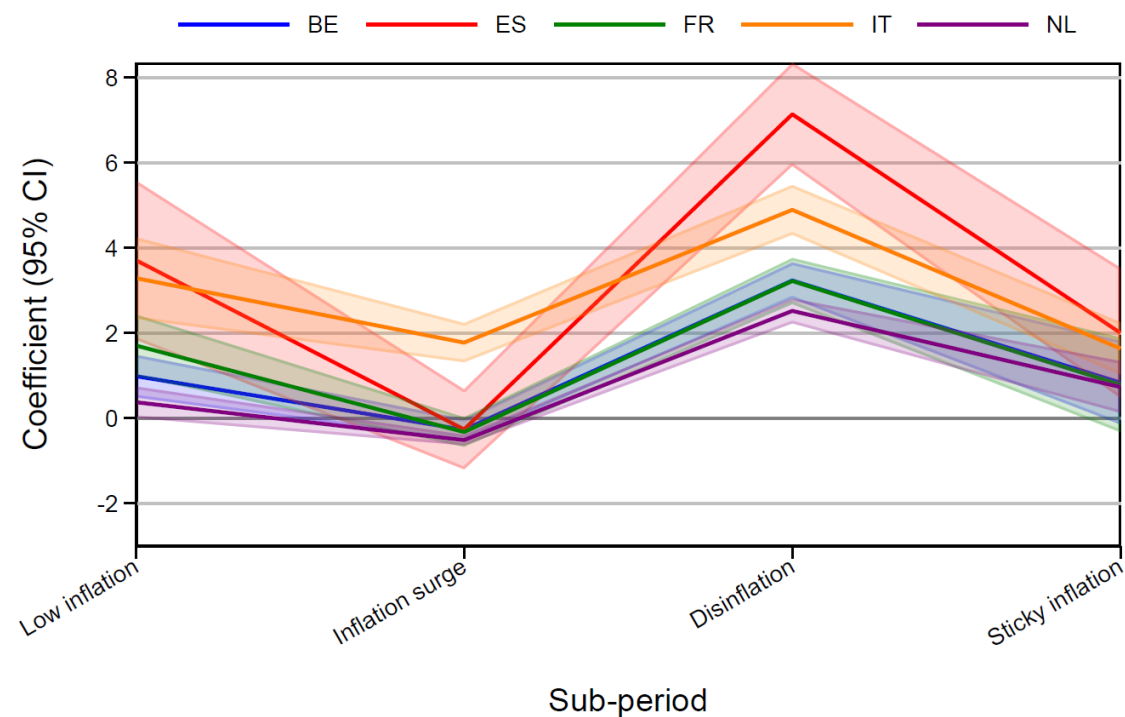
Attention to inflation and expectation formation varies across countries and periods

Euro area: distribution of pre-peak thresholds (Google) (N = 21)



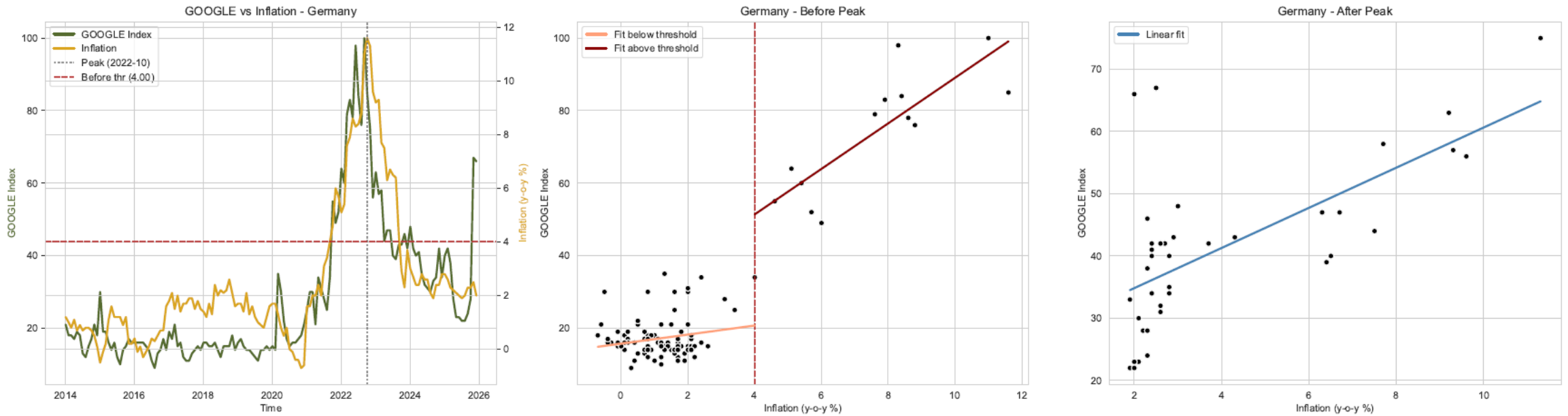
Source: Kusenda and Marencak (2026)

Differences in one-year-ahead inflation expectations relative to Germany (p.p.)



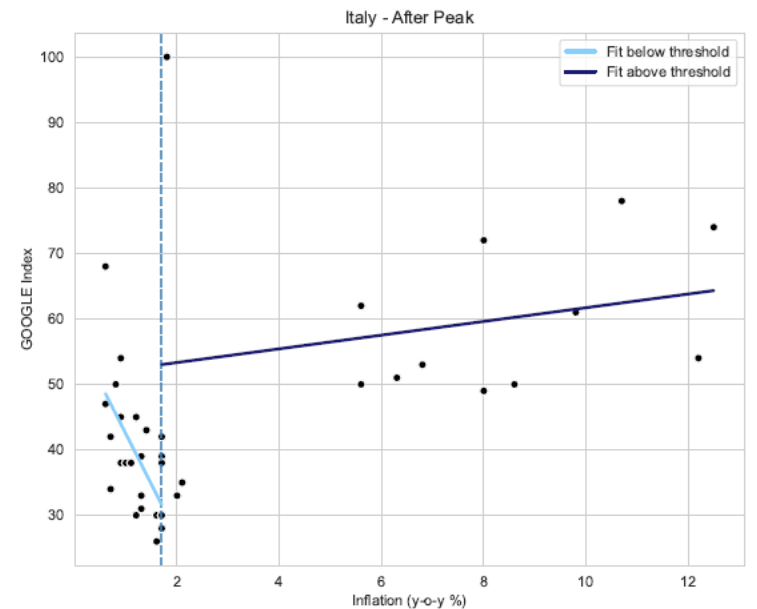
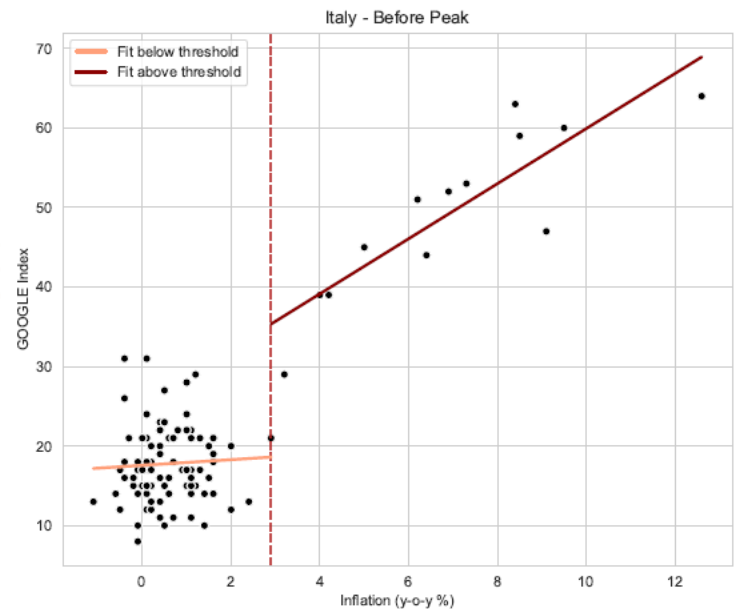
Source: Dräger et al. (2026)

When people start and stop paying attention differs too



Source: Kusenda and Marencak (2026)

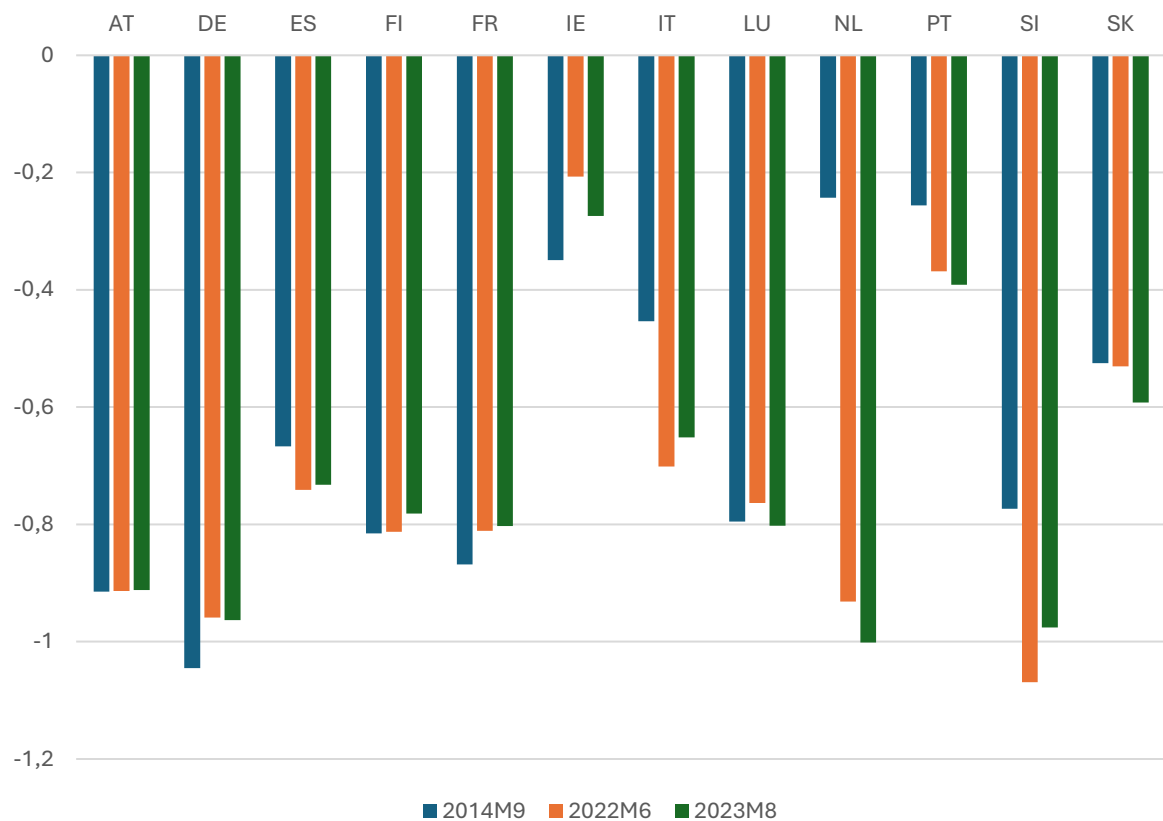
When people start and stop paying attention differs too



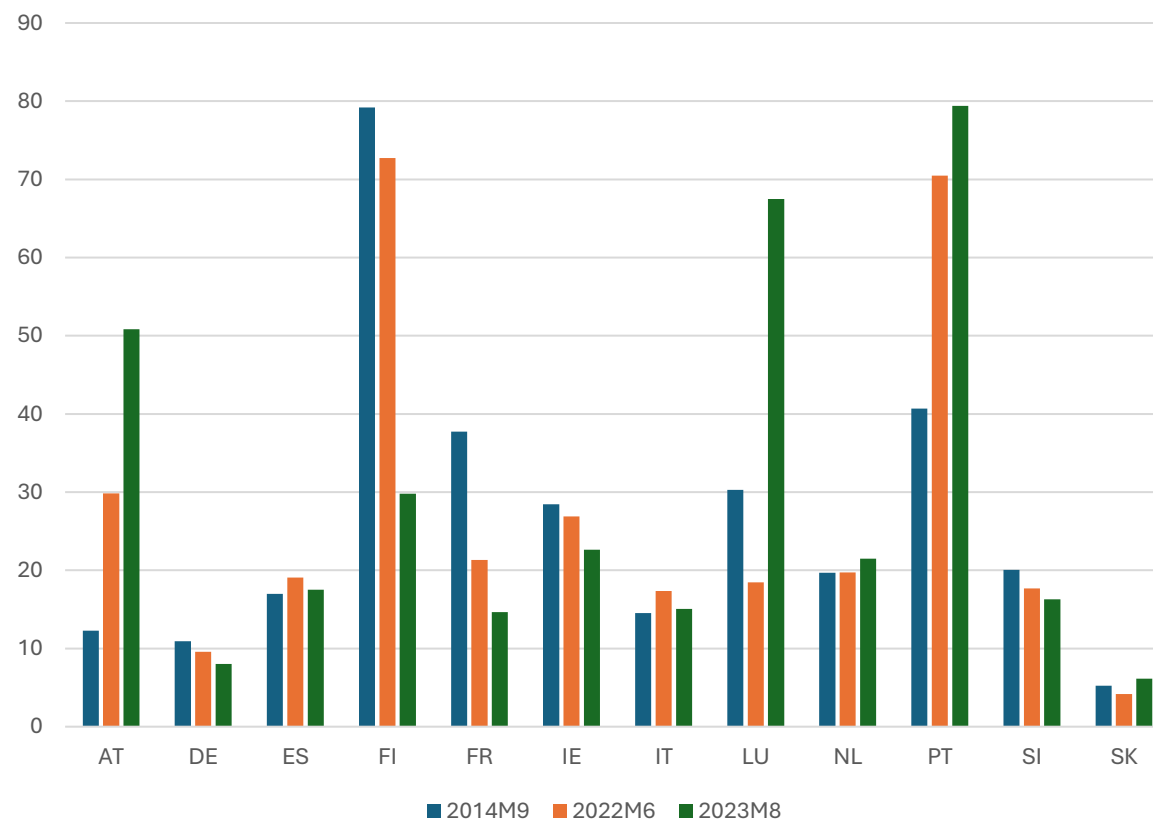
Source: Kusenda and Marencak (2026)

Transmission of rate decisions to retail loan pricing differs in both magnitude and speed

Long-term transmission a policy rate cut into mortgage rates with up to 1 year fixation (-1 = full transmission)



Estimated speed of adjustment to long-term equilibrium (months)

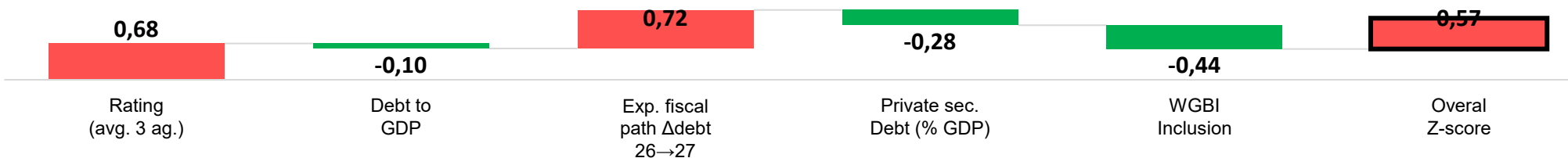


Sovereign risk heterogeneity remains a key area of fragility

Spreads to EUR swaps vs valuation z-score (lhs: in bps; rhs: z-score)



Source: NBS calculations





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