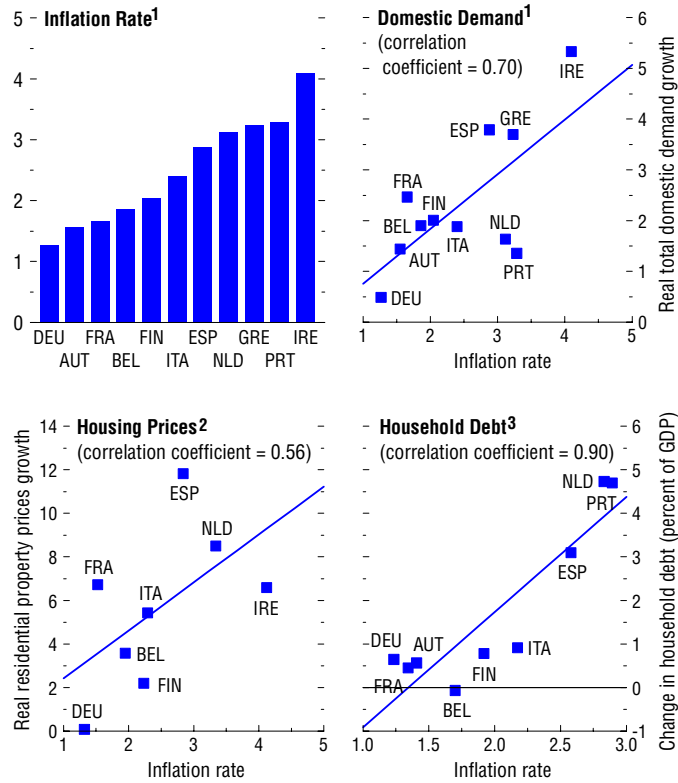


Figure 1.10. Euro Area: Implications of Persistent Inflation Differentials

(Average annual percent change unless otherwise noted)

Persistent inflation differentials across euro area countries have implied persistent differences in real interest rates, which in turn have been associated with divergent domestic demand, housing prices, and household debt.



Sources: European Commission; national sources; Bundesbank calculations based on Buijweij data; and IMF staff calculations.

¹Average, 1999–2003.

²Average, 1999–2002.

³Average, 1997–2002.