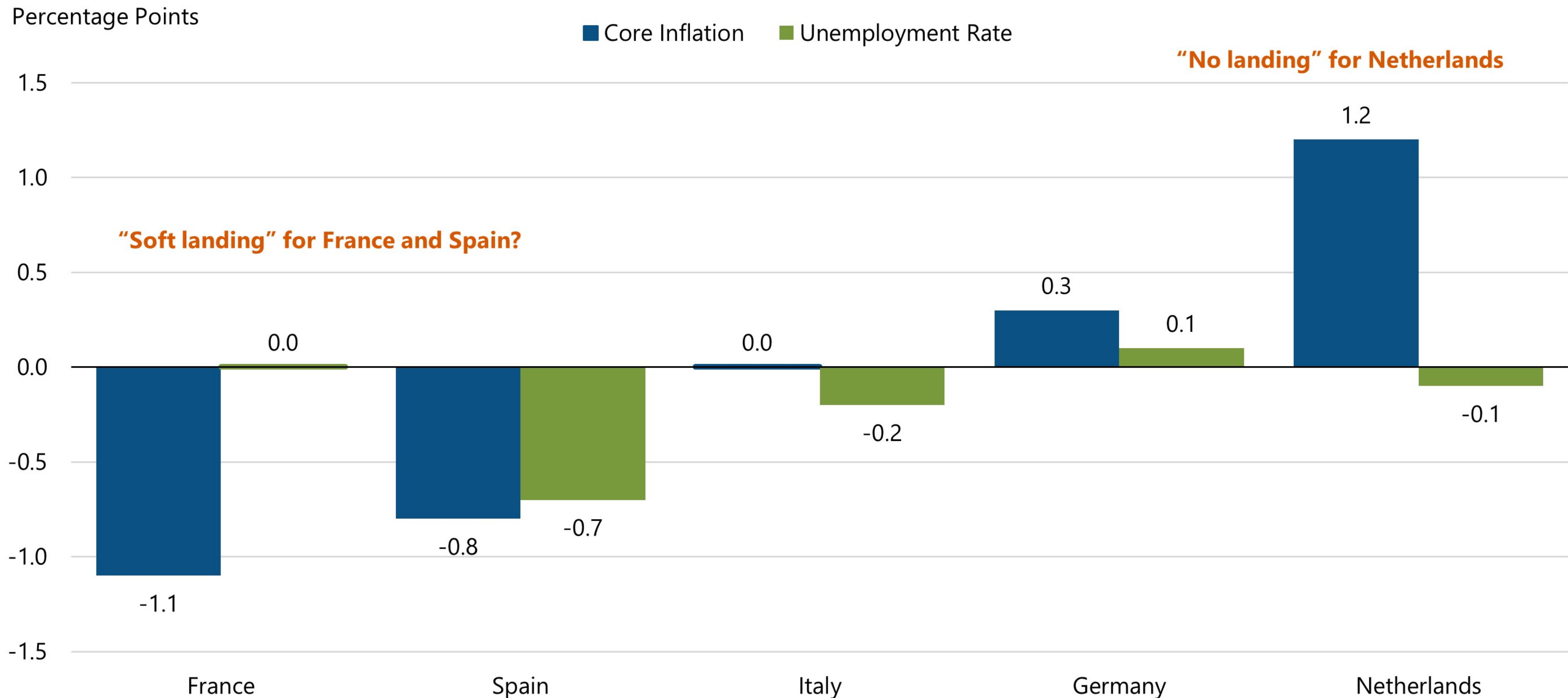


## Which Flight Are You On?

Cumulative Change In Core Inflation And Unemployment Rate Since First Hike\*

For The Week Ending 12/01/2023



Source: European Statistical Office

\*ECB began hiking in July 2022, cumulative change is calculated based on the latest available month's data

Over the last year, we've discussed the possibility of a U.S. soft landing, but what about "landings" elsewhere? This week, we visited European clients to see how Europe has fared as the ECB tightening cycle progressed. Interestingly, despite facing unique challenges, overall euro area core inflation paralleled the U.S., falling to 3.6% year-over-year from 4.2% in November, while the unemployment rate stayed low (6.5%). At the country level, the picture is more diverse. Remarkably, Spain's core inflation and unemployment rate decreased notably compared to levels seen when the ECB began hiking. France posted similar results. Meanwhile, Germany and Italy experienced persistent inflation along with resilient labor markets. The Dutch were disappointed with higher inflation but enjoyed a fall in unemployment (a "no landing"). So, while we can't paint the globe with too broad a brush, neither should we gloss over the slowdowns in inflation that have occurred without a labor market calamity, a feat deemed impossible a year ago.