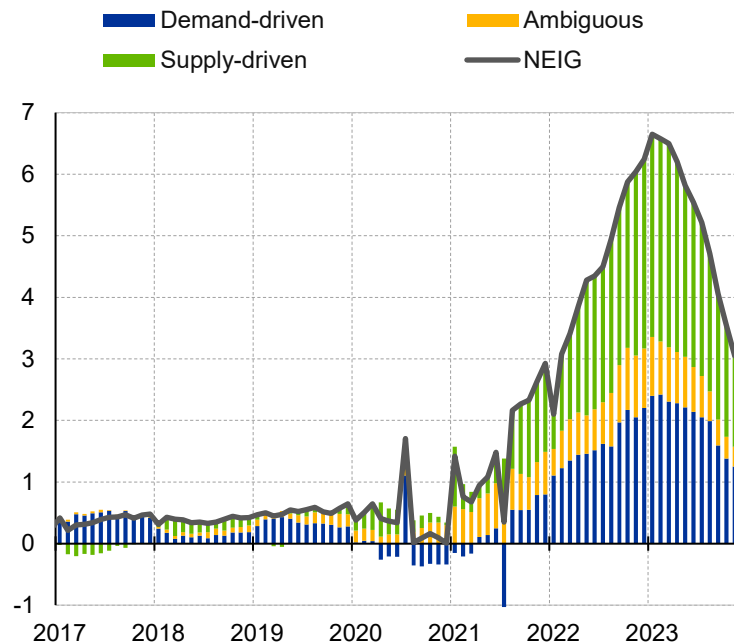


# Monetary policy works by dampening growth in aggregate demand

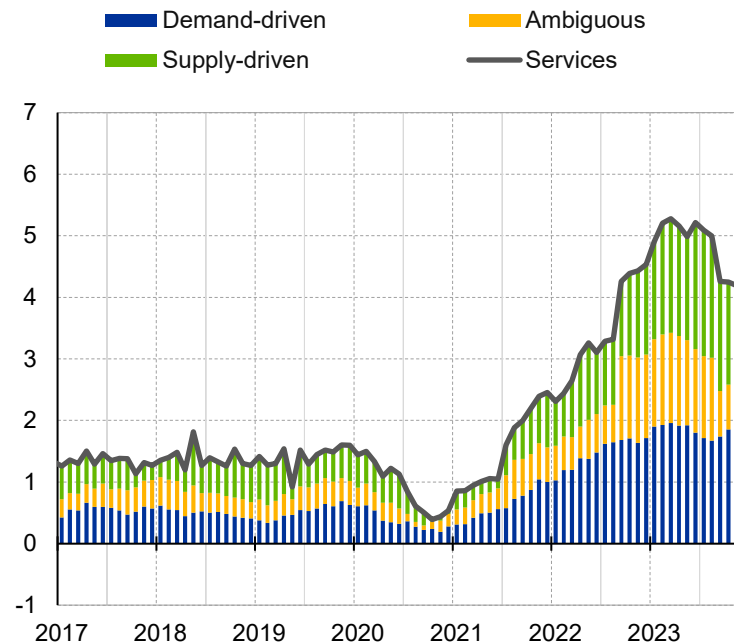
## Decomposition of euro area underlying inflation

(annual % change, pp contributions)

### Non-energy industrial goods inflation



### Services inflation



Sources: Eurostat and ECB staff calculations.

Notes: Seasonally adjusted data. See for details on the decomposition approach Gonçalves and Koester (2022) and Shapiro (2022). NEIG and services inflation reflects the sum of demand-driven, supply-driven and ambiguous components, calculated as the trailing sum of the last 12 monthly contributions. Ambiguous component for services inflation in 2022/2023 affected by measures subsidizing public transport in Germany (and their reversal).

Latest observation: November 2023.