

Peter Praet

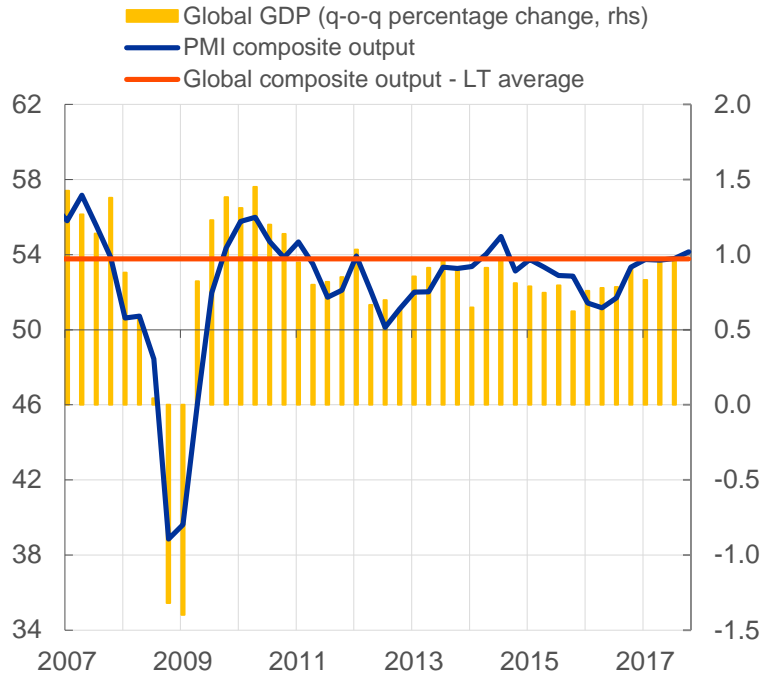
Member of the Executive Board
of the European Central Bank

Maintaining Price Stability with Unconventional Monetary Policy

Council of the European Union
Brussels, 29 January 2018

Global PMI composite output and global output

(diffusion index, lhs; q-o-q % changes, rhs)

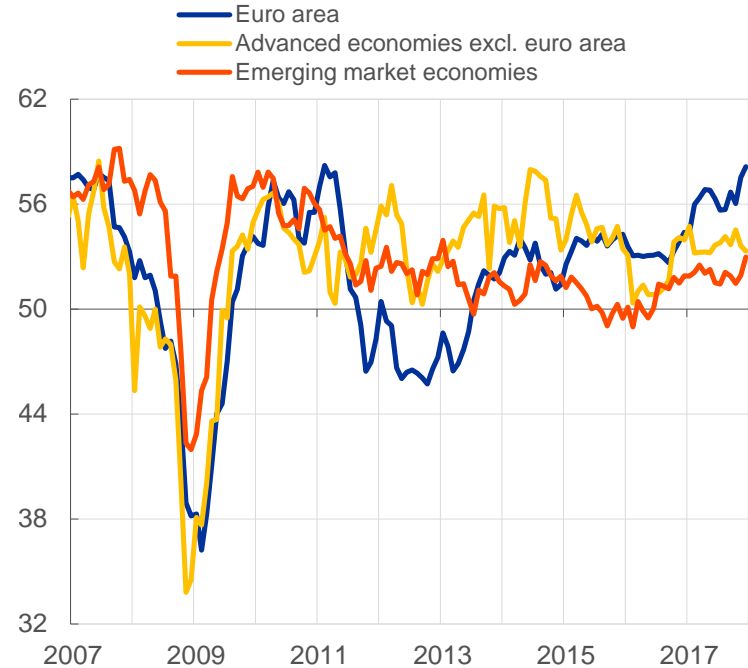


Sources: Markit, ECB calculations.

Note: Long-term average refers to 1999 onwards. Latest observation: 2017Q4 for PMI and 2017Q3 for global GDP.

Composite output PMIs: euro area, advanced economies and EMEs

(diffusion index; monthly data)

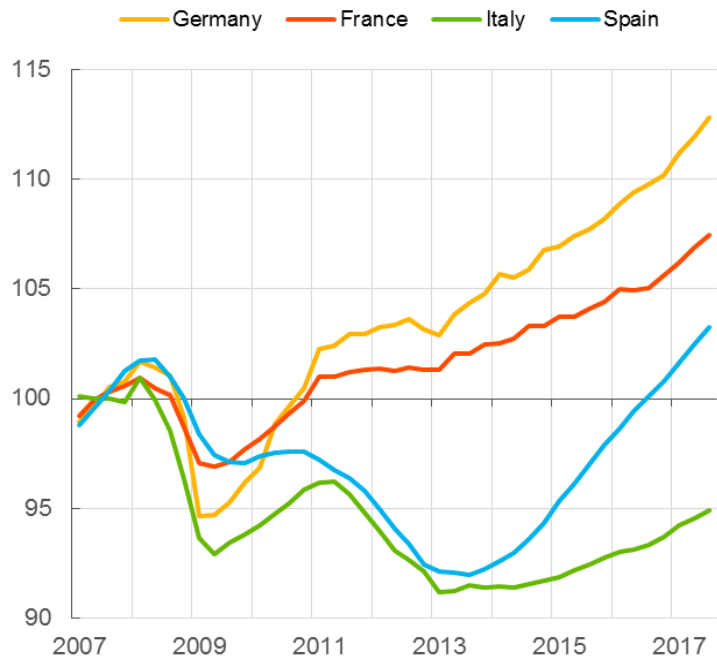


Sources: Haver Analytics, Markit, IMF/WEO, ECB calculations.

Notes: Euro area is subtracted from Markit aggregate for advanced economies, based on GDP weights. Latest observation: December 2017.

Real GDP growth path in selected euro area countries

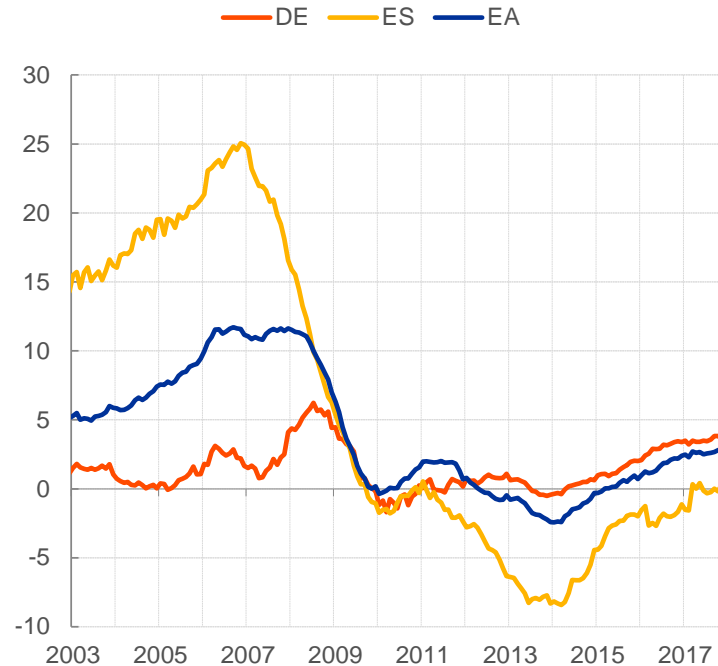
(2007 = 100)



Sources: Eurostat and ECB calculations.
Latest observation: 2017Q3.

Bank loans to the private sector

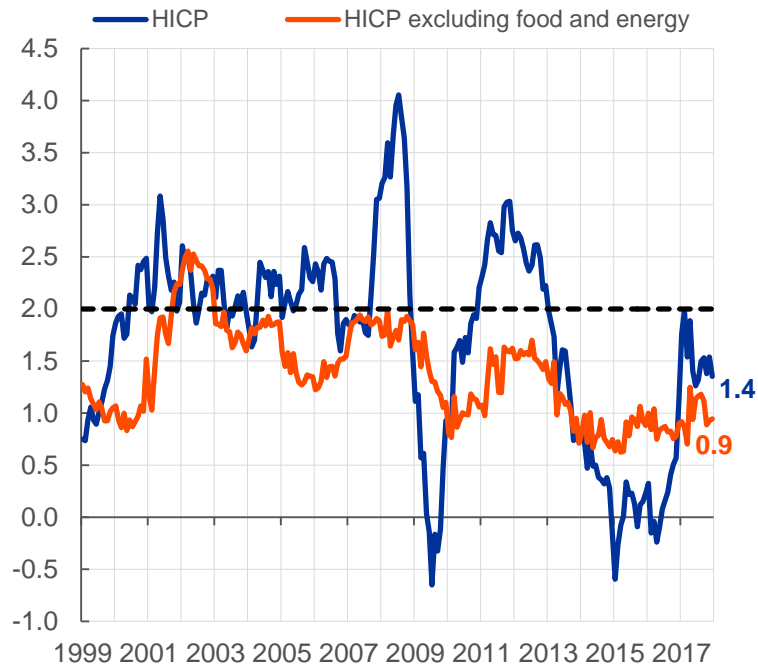
(annual percentage changes)



Source: ECB.
Latest observation: December 2017.

HICP inflation and HICP excluding food and energy

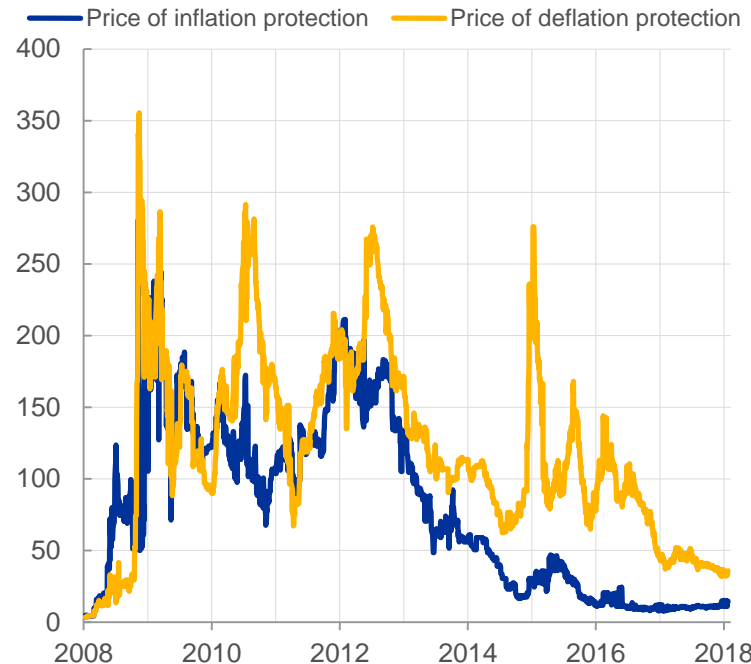
(annual percentage changes)



Sources: Eurostat and ECB calculations.
Latest observation: December 2017.

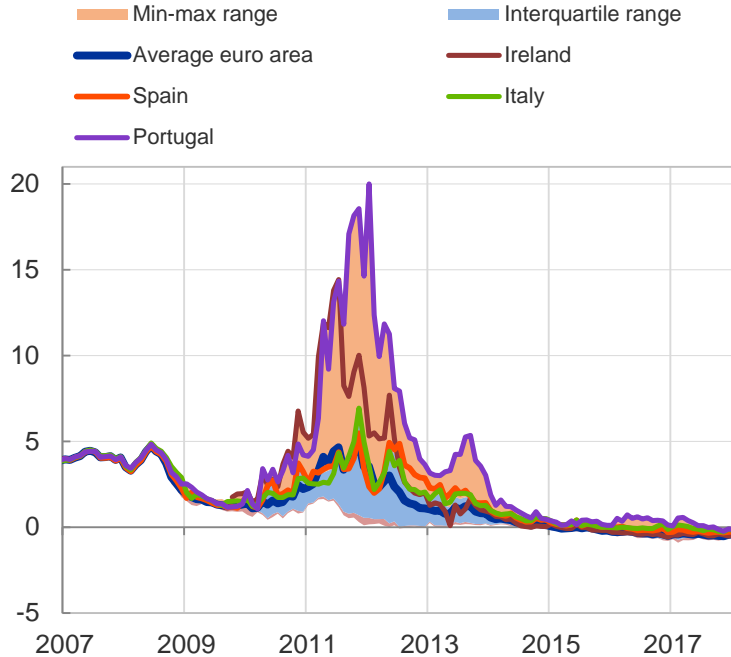
Price of inflation and deflation protection

(percentages per annum)



Source: Bloomberg
Note: The price of inflation (deflation) protection refers to the price of a five-year year-on-year inflation option with a 4% cap (0% floor). Last observation: 24 January 2018

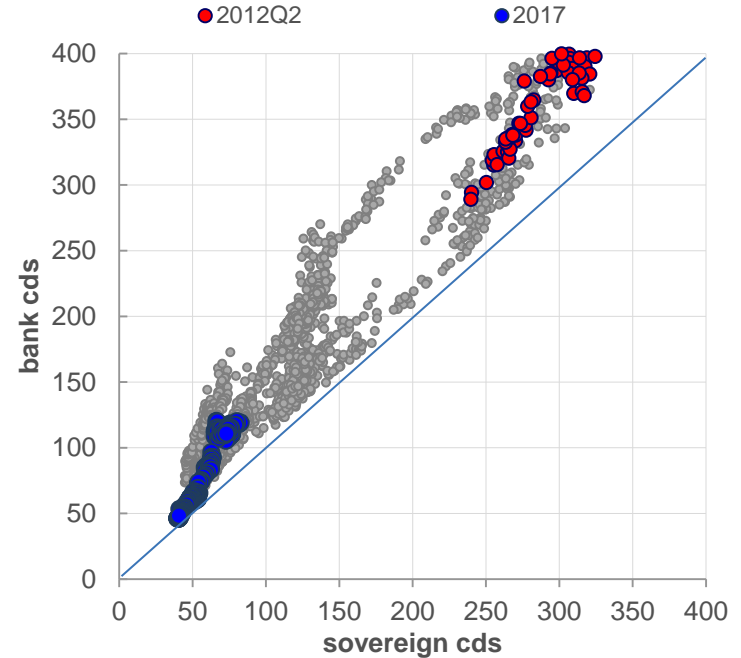
Dispersion of euro area 2-year sovereign bond yields (percentages per annum)



Sources: Thomson Reuters and ECB calculations.

Note: the data used are based on euro area country composition as in 2011. The yields for GR, CY, EE, LU, MT and SI are excluded owing to infrequent observations
Latest observation: January 2018.

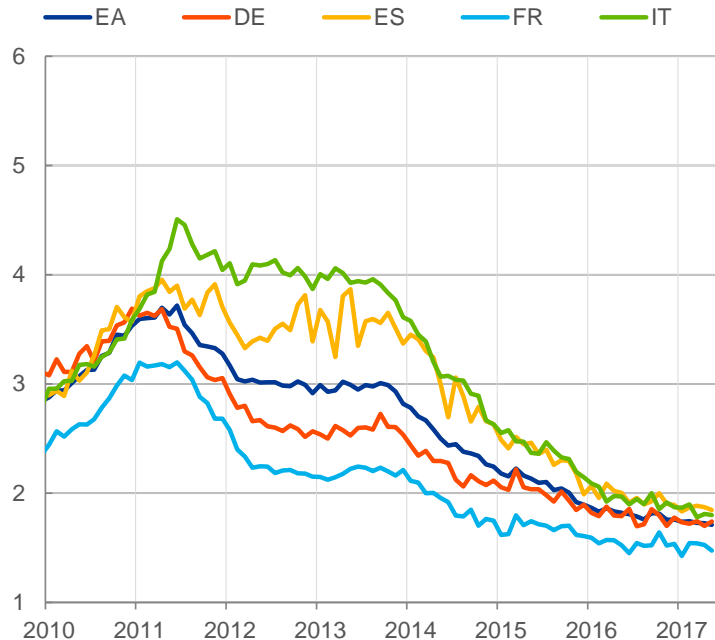
Euro area Banks-sovereigns CDS (basis points)



Sources: Thomson Reuters, ECB staff calculations.

Notes: 5-year CDS. Euro area sovereign CDS are weighted by the ECB capital key and excluding Greece. The bank CDS are simple average of 9 large banks in the euro area. The scatter plot dots are daily observations from 1-Jan-2010 to 29-Dec-2017 with 2012Q2 observations in red, 2017 observations in blue, and the rest in grey

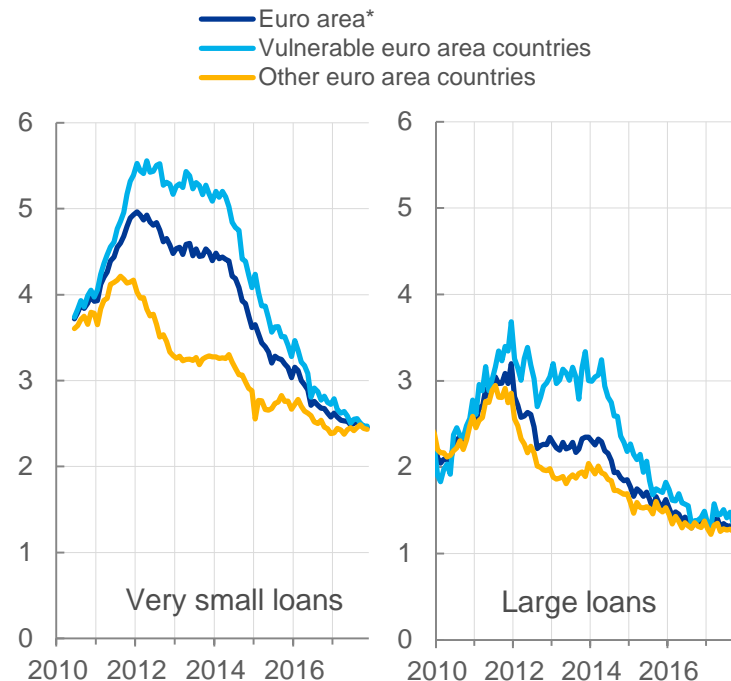
Cost of borrowing for NFCs' new loans (percentages per annum)



Sources: ECB

Notes: The indicator for the total cost of borrowing is calculated by aggregating short and long-term rates using a 24-month moving average of new business volumes. Latest observation: November 2017.

Bank lending rates for very small versus large loans to NFCs (percentages per annum)



Source: ECB.

Notes: The light blue line includes Ireland, Greece, Spain, Italy, Cyprus, Portugal and Slovenia. Very small loans are loans of up to €0.25 million, while large loans are those above €1 million. Aggregation is based on new business volumes. *The euro area series is calculated as weighted average of country spreads. Latest observation: November 2017.

Monetary policy stance determined by combination & interaction of:

- our **policy rates**,
- our **asset purchase programme**,
- and our **forward guidance** on each of these tools

... complemented by:

- the **TLTROs**, which will remain outstanding for the next three years

The ECB's forward guidance

Key ECB interest rates

- expected to remain at present levels for an extended period of time
- and well past horizon of **net asset purchases**

Asset Purchase Programme (APP)

- **net asset purchases** intended to continue at monthly pace of €30 billion, until end-Sep 2018
- or beyond, if necessary & in any case until GovC sees sustained adjustment in path of inflation (SAPI) consistent with inflation aim
- if outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards SAPI, stand ready to increase APP in size and/or duration
- Eurosystem will reinvest principal payments from maturing securities for an extended period of time after end of net purchases, and in any case for as long as necessary

Criteria for sustained adjustment in the path of inflation (SAPI)

Convergence

- Headline inflation on course to reach levels below, but close to 2% in the medium term;

Confidence

- Sufficient confidence in durable stabilisation of inflation around these levels;

Resilience

- Self-sustaining inflation developments resilient to less supportive monetary policy conditions.