



OESTERREICHISCHE NATIONALBANK

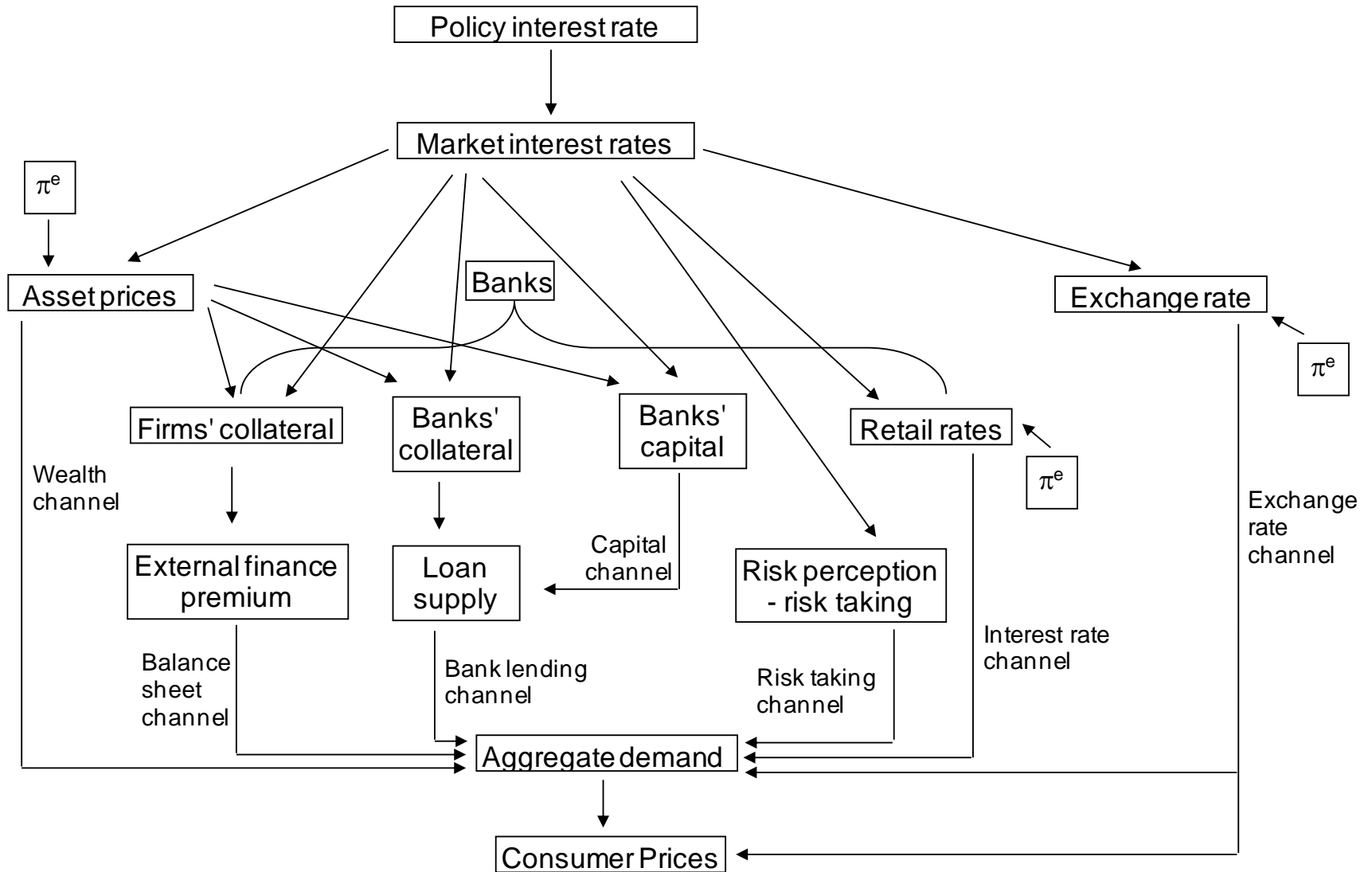
EUROSYSTEM

Monetary Policy Perspectives – Theory and Practice

Governor Univ. Prof. Dr. Ewald Nowotny
Oesterreichische Nationalbank

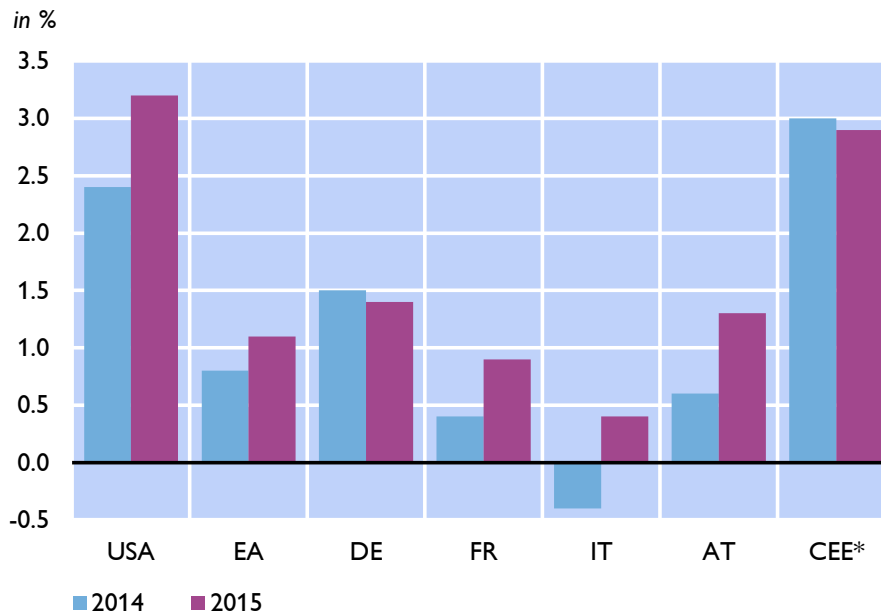
*CEU Central European University
Budapest, 2.2.2015*

Transmission Channels of Monetary Policy



Growth and Inflation Perspectives 2014/15

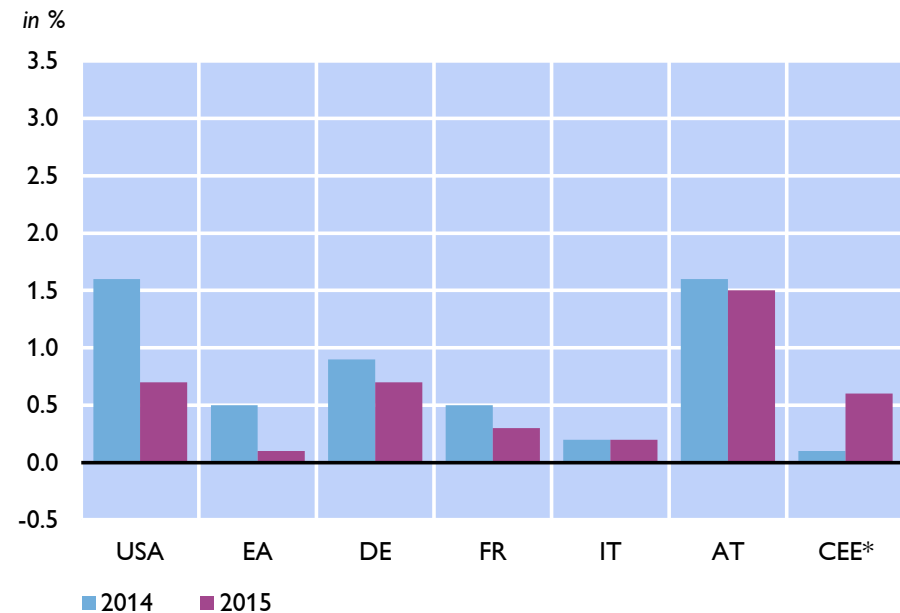
Real GDP Growth



Source: Consensus Economics (1/2015).

*) CEE: Czech Republic, Hungary, Poland, Slovakia and Slovenia.

Headline Inflation



Source: Consensus Economics (1/2015).

*) CEE: Czech Republic, Hungary, Poland, Slovakia and Slovenia.

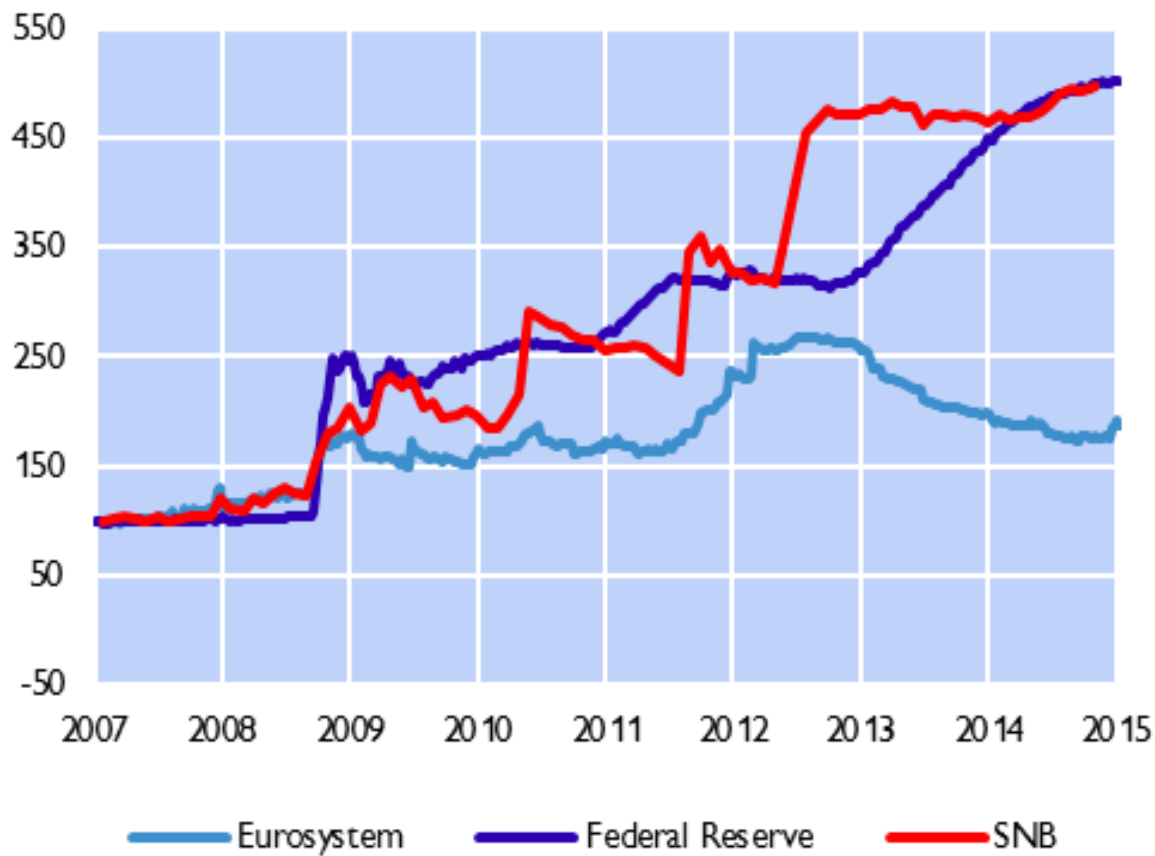
Monetary Policy since the Crisis: Conventional and Unconventional Measures

- Interest rate policy: *reduction of the main refinancing rate to currently 0.05% and deposit facility to -0.2% (4 September 2014)*
- Open market operations to support loan creation:
 - Full allotment at fixed rate, longer maturities;*
 - Targeted Longer-Term Refinancing Operations (TLTROs): amount dependent on outstanding loans to the private sector (initially max. 7%), quarterly operations until June 2016*
- Outright purchases of securities to support the monetary transmission mechanism:
 - *Covered Bonds Programmes (CBPP 1-3)*
 - *Securities Markets Programme (SMP)*
 - *Outright Monetary Transactions (OMT)*
 - *Asset-Backed Securities Programme (ABSPP)*
 - *Expanded Asset Purchase Programme (EAPP)*
- Forward guidance to affect interest rate expectations

Development of Central Bank Balance Sheets

Central Bank Balance Sheets

January 2007 = 100



Source: Thomson Reuters.

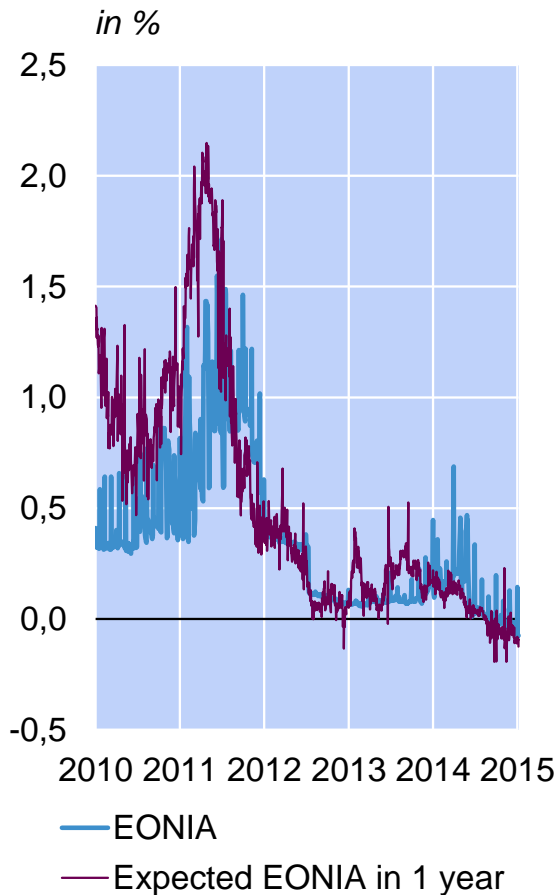
The New Expanded Asset Purchase Programme (EAPP)

ECB Governing Council decision of January 22, 2015:

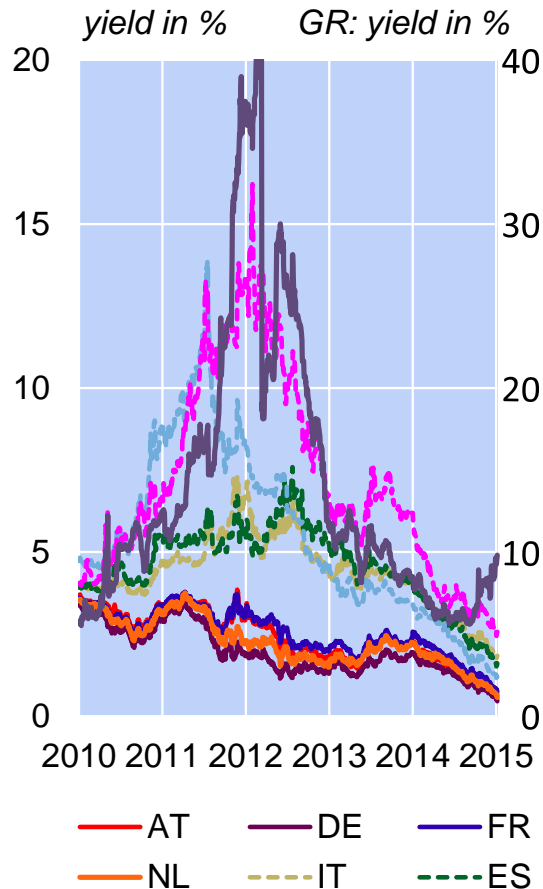
- **Expanded Asset Purchase Program (EAPP)** includes current CBPP3 and ABSPP and is expanded to **bonds issued by euro area central governments, agencies and European institutions**
- **Volume** of combined asset purchases under CBPP3, ABSPP and additional bonds of **monthly €60 billion** on secondary markets
- **Eligible additional bonds:** at least investment grade assessment, remaining maturity between 2 and 30 years, *issue limit* of max. 25% of each issue and *issuer limit* of max. 33% of each issuer's debt
- Purchases starting in March 2015 are intended **until at least September 2016**; in any case until inflation returns to its target of close but below 2%
- **20% of the additional asset purchases** subject to **risk sharing** of hypothetical losses, rest not subject to risk sharing

Broad based Easing of Monetary Conditions

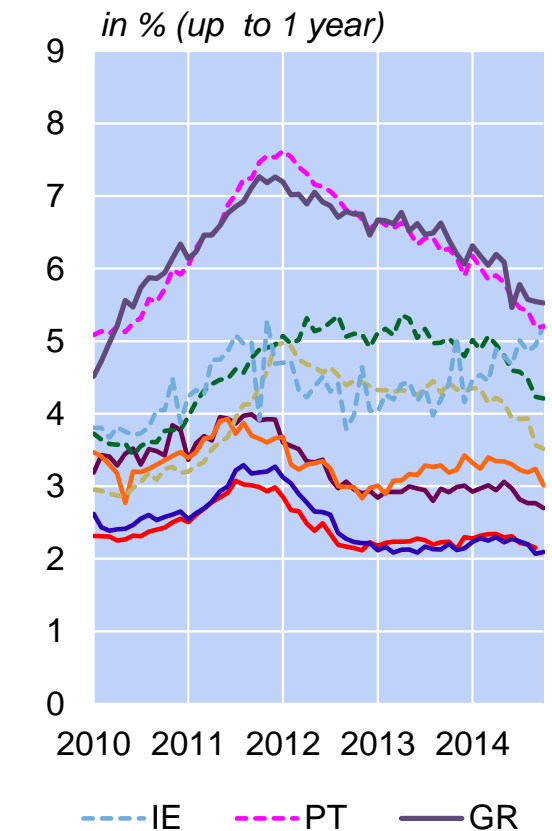
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Sovereign bonds (10y) of selected countries



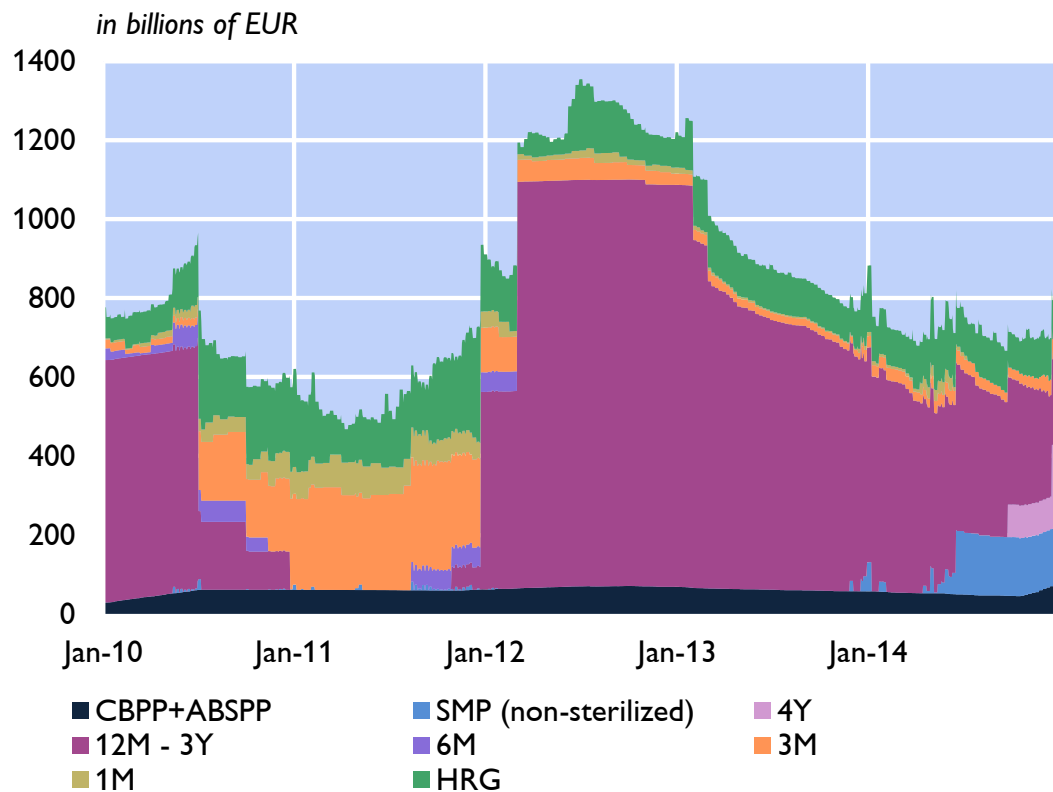
Retail interest rates for NFC loans, up to EUR 1 mn



Source: OeNB, Thomson Reuters, ECB.

New Programmes to Support Loan Creation

Liquidity Provision in the Euro Area

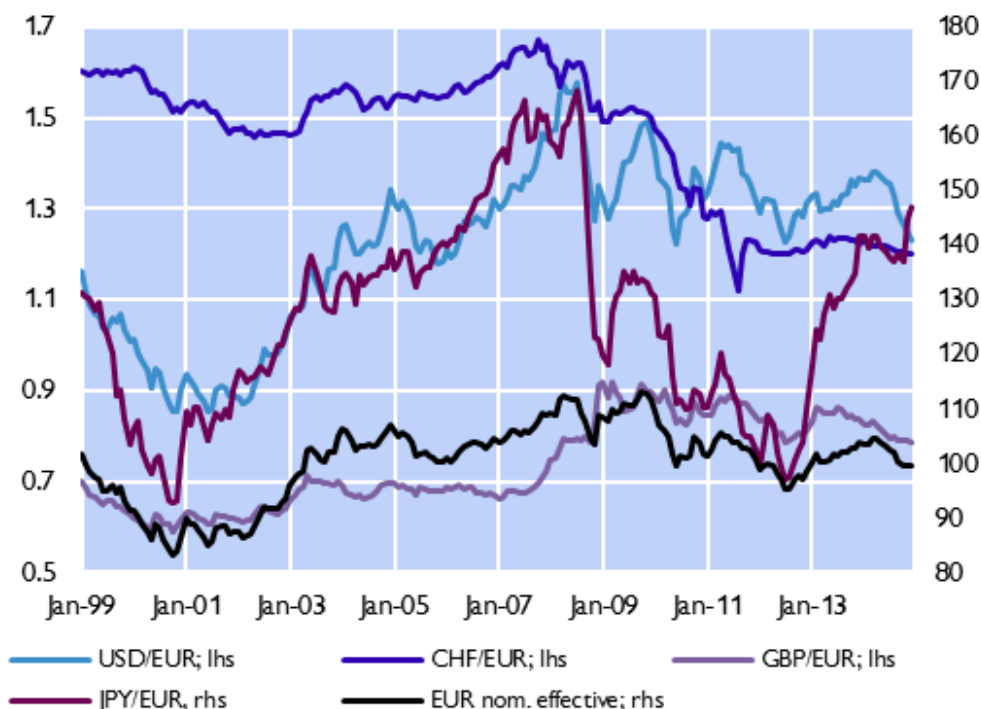


Source: ECB, own calculations.

- Maximum amount of liquidity provided by the Eurosystem at the beginning of 2012: app. 1,300 bill EUR.
- Steady decrease of liquidity as banks repay central bank loans prematurely
- New programmes are increasing liquidity provision and will bring it back towards its 2012-level:
 - **Targeted longer-term Refinancing Operations (TLTROs)** currently provide 213 bill EUR.
 - **Expanded Asset Purchase Programme (EAPP)** for covered bonds, asset-backed securities and government bonds

Euro Exchange Rates Quite Volatile

Euro exchange rates of selected currencies



Source: Thomson Reuters.

Ruble follows the oil price

