



OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

MNI Connect Video Conference

Governor Robert Holzmann

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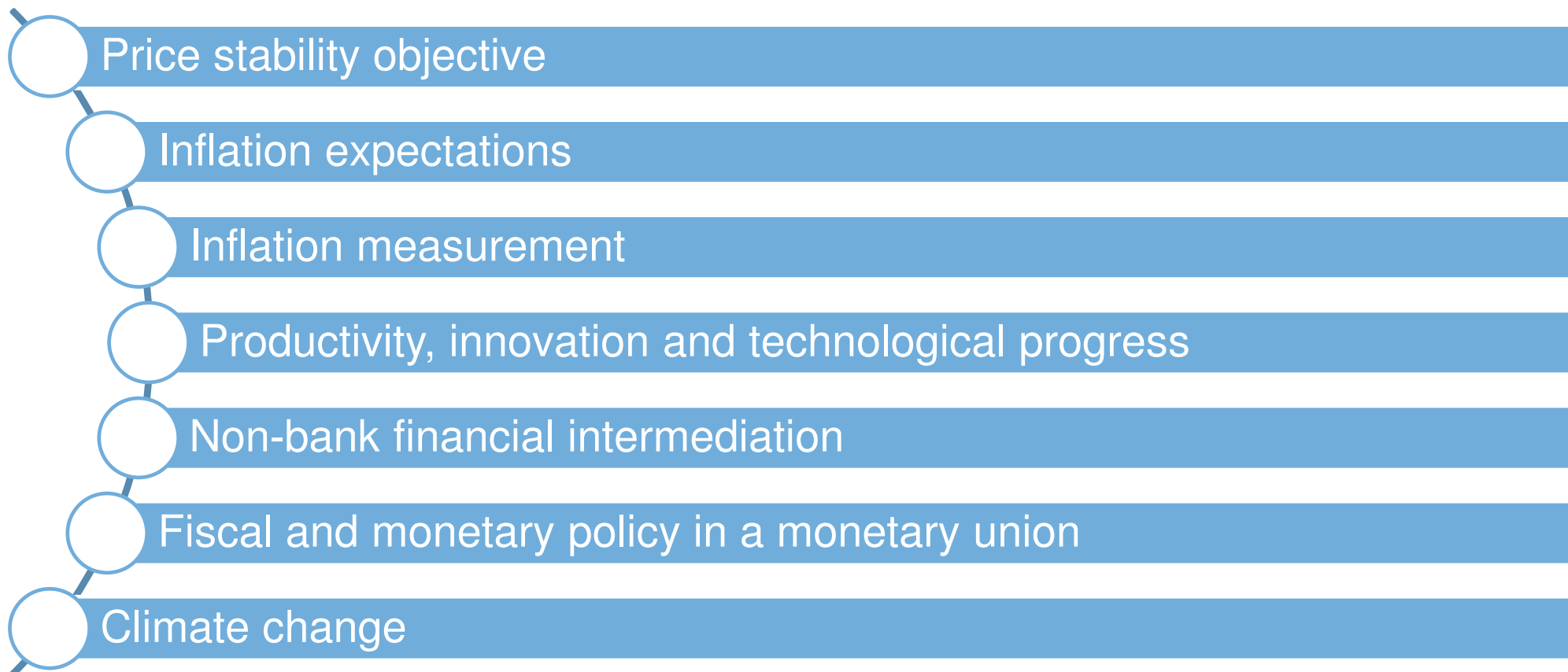


Review of the ECB`s monetary policy strategy in 2020-2021

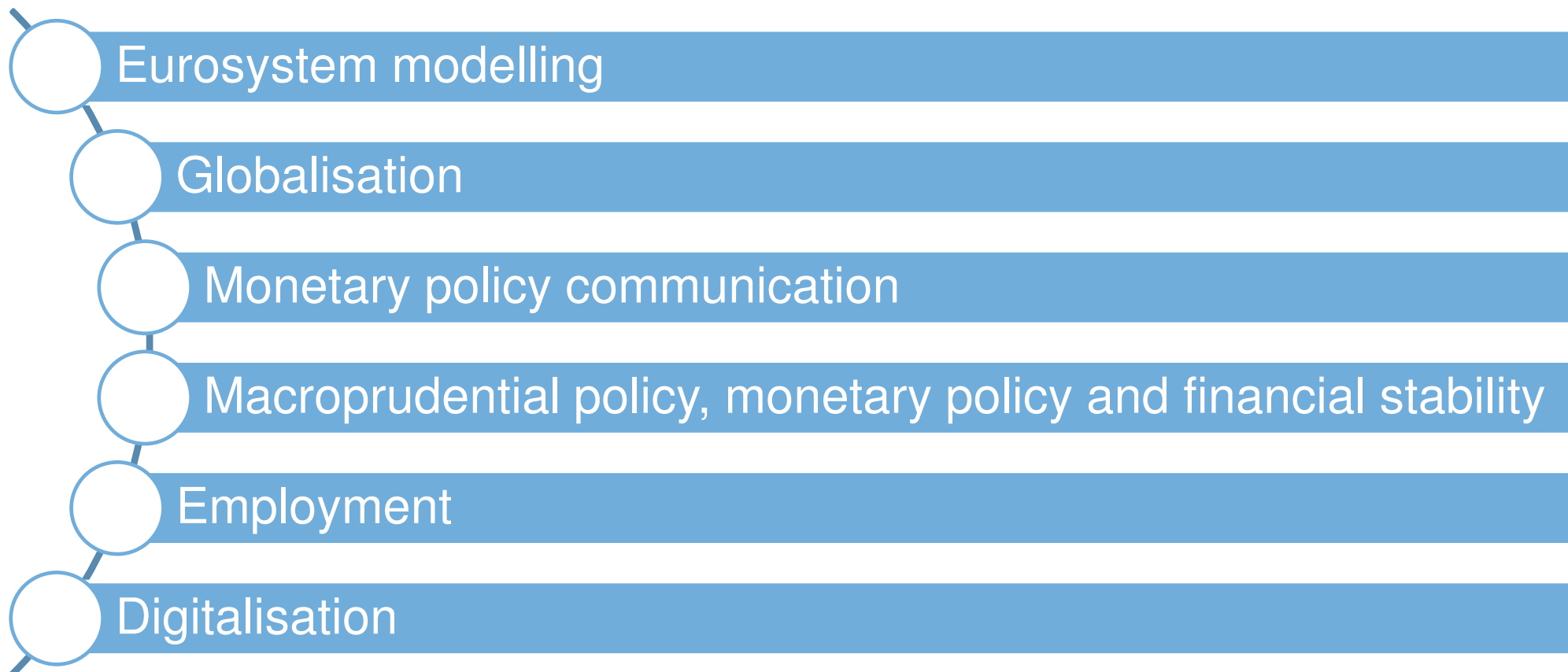
- The aim of the ECB`s strategy review is to make sure that the **monetary policy strategy** is fit for purpose, both today and in the future. The review should also reflect the economic changes which happened in recent years (e.g. slow-down of productivity, ageing of population, low inflation environment).
- The last review of the ECB`s monetary policy strategy took place in 2003, resulting in a **clarification of the definition of price stability**.
- The strategy review **covers all aspects of our monetary policy**, within the framework of our mandate which is to maintain price stability. The review will be based on a thorough analysis and take an open-minded approach.
- The ongoing strategy review should be finalised and communicated in **the second half of 2021**.
- As part of the strategy review, the ESCB wants to **hear opinions** from across Europe, including those from citizens, academics, Members of the European Parliament and civil society organisations.
- The OeNB organized a „**Listening event**“ on 30 October 2020 with social partners, academia as well as members of the civil society. This event marked the start of a new channel of communication with the public.



Work streams of the ECB's monetary policy strategy review I



Work streams of the ECB's monetary policy strategy review II



Challenges of balancing monetary policy with fiscal policy

- Monetary and fiscal policy are **strategic complements**:
 - Accommodating monetary policy allows fiscal policy to expand its policy scope.
 - Fiscal policy can help the economy to recover.
- In the current crisis, the ECB offered a strong **monetary package** very fast; first reviews suggest a high effectiveness in stabilizing financial markets and output growth, but more limited effectiveness in keeping inflation close to the ECB`s target in the short run. Side effects have to be monitored carefully.
- **Fiscal policies** of members states focus on supporting firms and workers most hit by the crisis.
- **EU**: Next Generation EU Fund (NGEU) for recovery after the crisis – its effectiveness depends on the use for reforms to bolster productivity.
- Can monetary, fiscal and structural policies in the EU offer a long-term perspective in view of the **importance of r^*** (estimated equilibrium interest rate)?
 - Two key options: r^* is exogeneous or endogenous.
 - Better understanding of drivers of secular fall of r^* necessary.
 - Policy interventions: increase productivity; reduce savings overhang in global North vs. capital need in global South.

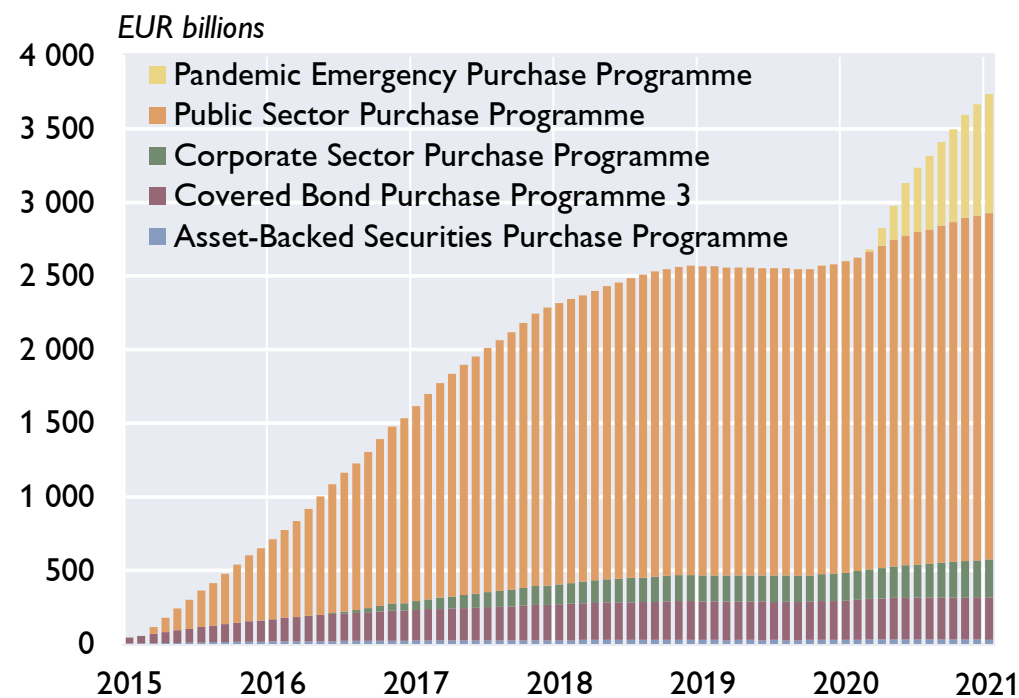
Climate related risks for central banks

- **Interaction with other policies:** monetary policy is not the key policy maker in this area, fiscal policy (carbon tax) and structural policy (energy regulation) are in driver`s seat.
- **Price stability:** global warming and more frequent extreme weather events can have direct impact on inflation.
- **Transmission of monetary policy:** higher volatility and increasing risk premia can weaken the interest rate channel, stranding of assets lowers credit quality and reduces collateral.
- **Central bank`s balance sheet:** purchase programmes might include climate sensitive assets.
- **Equilibrium interest rate:** higher uncertainty, negative effects on productivity (via rising mortality and less funding for R&D), lower population growth might depress r^* and reduce the policy space for central banks.
- **Scenario analysis:** forward looking policies should be based on scenarios, which can also be used for climate stress tests.

The Eurosystem's most important monetary policy decisions in 2020 (I)

- **Extension** of the asset purchase program **APP** (*Expanded Asset Purchase Programme*) with a monthly volume of 20 bn EUR as well as a **one-off increase** in 2020 by 120 bn EUR.
- **Introduction of a new asset purchase program PEPP** (*Pandemic Emergency Purchase Programme*) with a total envelope of 1,850 bn EUR until at least March 2022.
- No change with respect to the **key interest rates**.

Monetary Policy Purchase Programmes

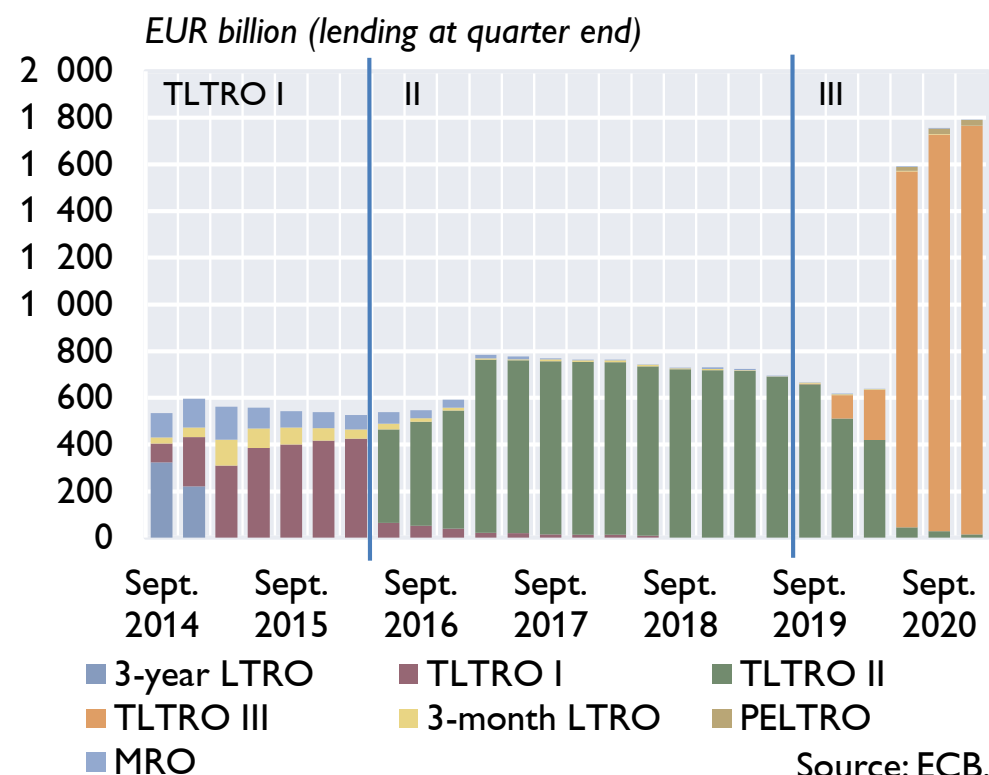


Source: ECB.

The Eurosystem's most important monetary policy decisions in 2020 (II)

- **New TLTROs III** (*Targeted Longer-Term Refinancing Operations*) with adapted conditions and **PELTROs** (*Pandemic Emergency Longer-Term Refinancing Operations*).
- **Extension of framework for collateral** until at least June 2022.
- Introduction of **EUREP** (*Eurosystem Repo Facility for central banks*) as well as **temporary swap and repo facilities** for central banks outside the Eurosystem until March 2022.

Eurosystem's refinancing operations



Danke für Ihre Aufmerksamkeit

Thank you for your attention

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