



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

The Future of Monetary Policy

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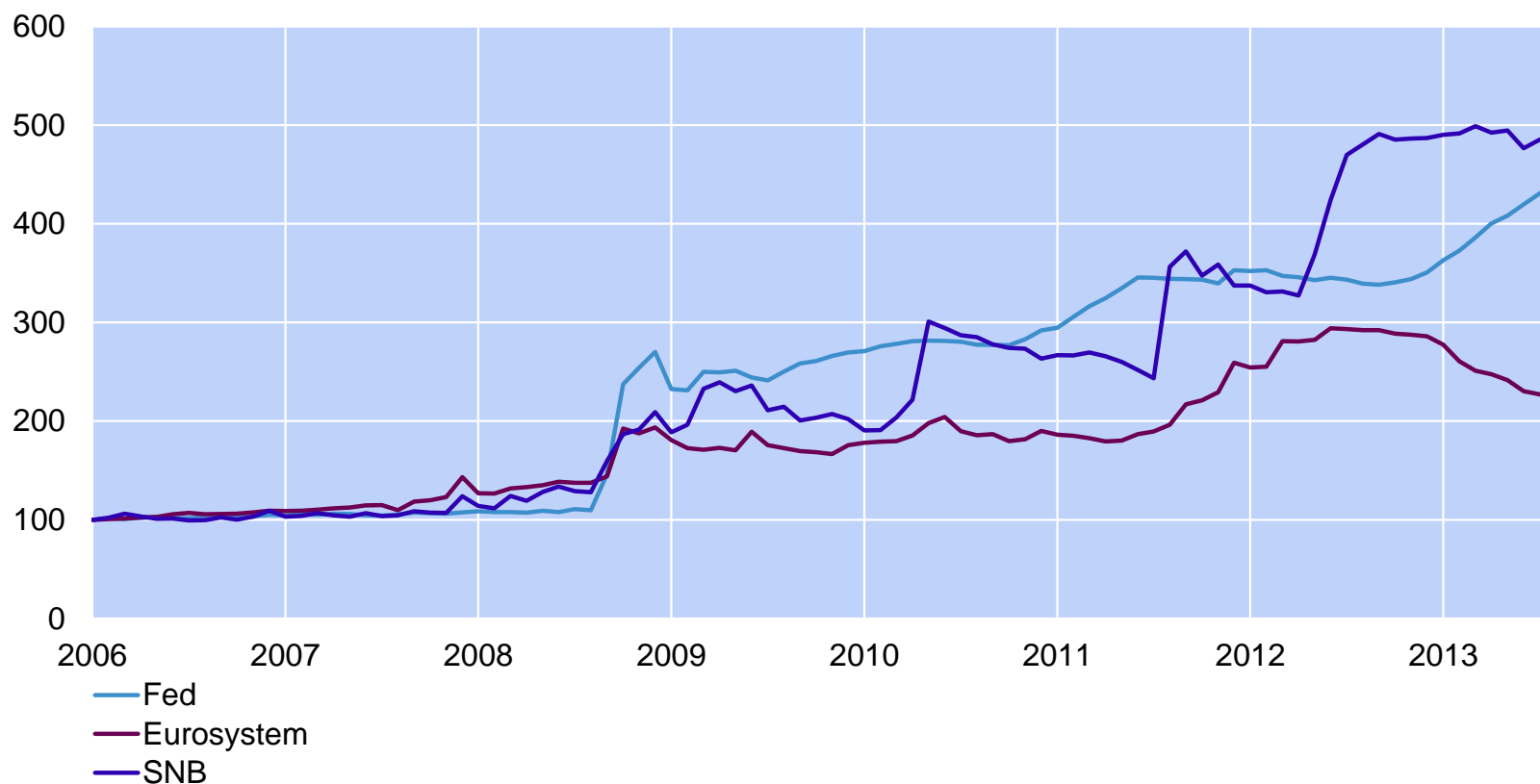
The Future of Monetary Policy

Overview

1. Pre-crisis monetary policy framework
2. Unconventional monetary policy measures
3. Exit from unconventional policies
4. A new monetary policy framework

Balance sheets of the Federal Reserve, Eurosystem and the Swiss National Bank

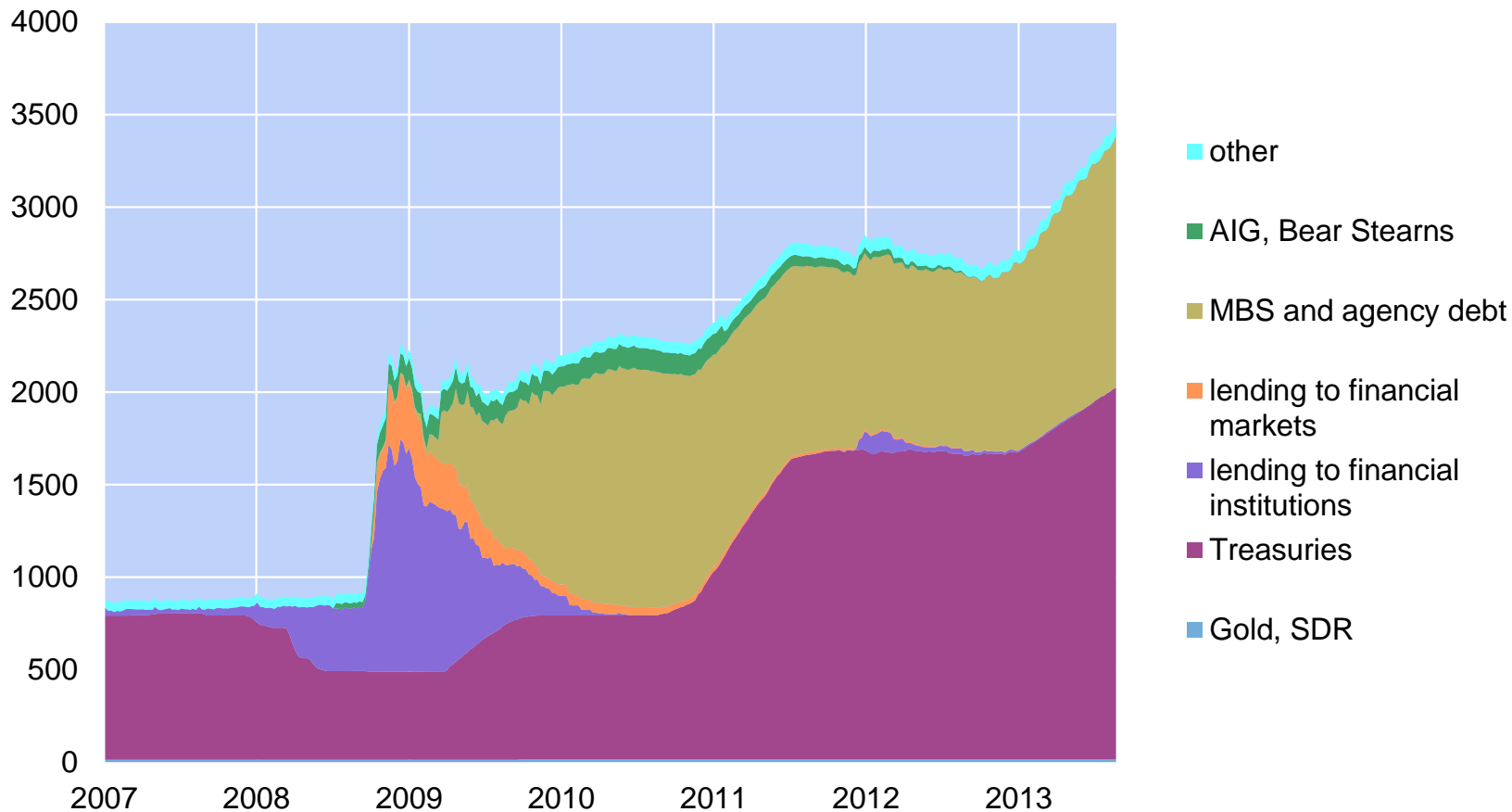
Index, January 2006 = 100



Source: Thomson Reuters.

Assets of the Federal Reserve

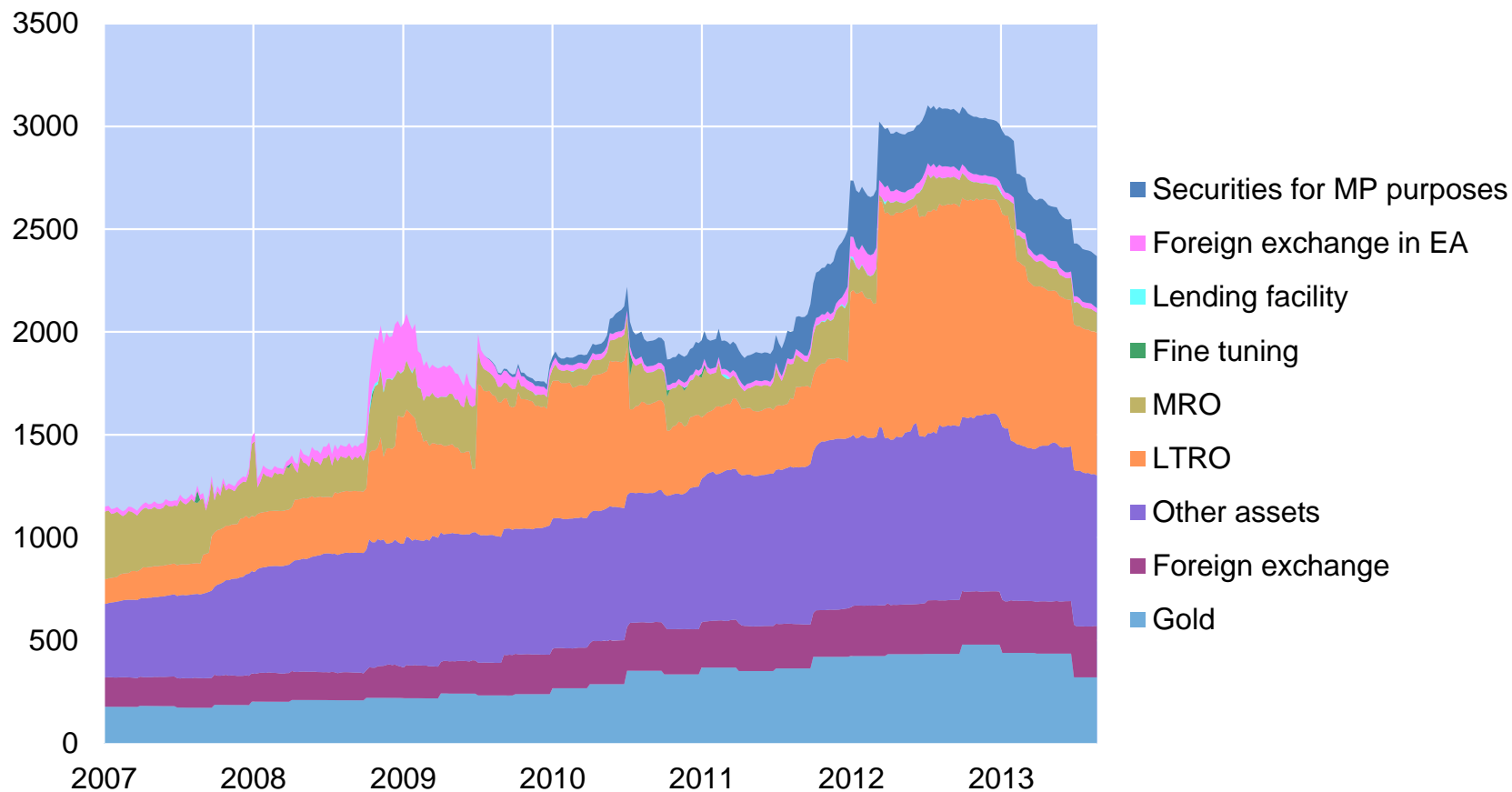
in billion USD



Source: Thomson Reuters.

Assets of the Eurosystem

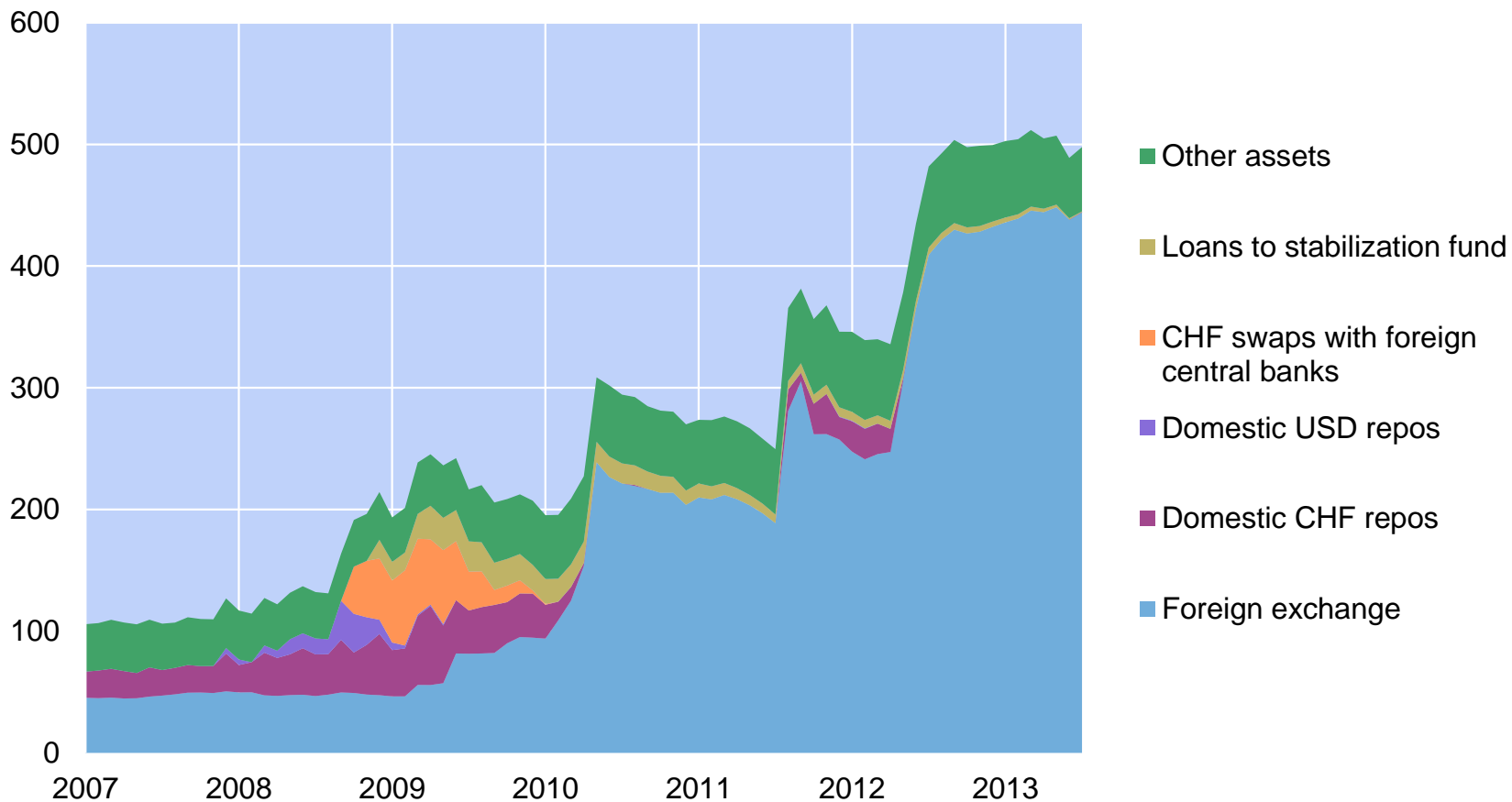
Consolidated balance sheet, in billion EUR



Source: ECB.

Assets of the Swiss National Bank

in billion CHF



Source: Thomson Reuters.

FED interest rate forward guidance, December 2012

“(...) this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee’s 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.”

FED asset purchases forward guidance, June 2013

“(...) the Committee currently anticipates that it would be appropriate to moderate the monthly pace of purchases later this year. (...) we would continue to reduce the pace of purchases in measured steps through the first half of next year, ending purchases around midyear (...) our policy is in no way predetermined and will depend on the incoming data and the evolution of the outlook as well as on the cumulative progress toward our objectives.”

BoE forward guidance, August 2013

“The MPC intends not to raise Bank Rate from its current level of 0.5% at least until (...) the unemployment rate has fallen to a threshold of 7% (...)The MPC stands ready to undertake further asset purchases while the unemployment rate remains above 7% if it judges that additional monetary stimulus is warranted.

The guidance (...) would cease to hold if any of the following three ‘knockouts’ were breached:

- i. (...) CPI inflation 18 to 24 months ahead will be 0.5 percentage points or more above the 2% target;*
- ii. medium-term inflation expectations no longer remain sufficiently well anchored;*
- iii. the (...) stance of monetary policy poses a significant threat to financial stability.”*

See <http://www.federalreserve.gov/mediacenter/files/FOMCpresconf20130619.pdf>

ECB forward guidance, July 2013

(...) our monetary policy stance will remain accommodative for as long as necessary. The Governing Council expects the key ECB interest rates to remain at present or lower levels for an extended period of time. This expectation is based on the overall subdued outlook for inflation extending into the medium term, given the broad-based weakness in the real economy and subdued monetary dynamics. In the period ahead, we will monitor all incoming information on economic and monetary developments and assess any impact on the outlook for price stability.”

Overview - Recent forward guidance practices

Central Bank, Date	Type of Guidance	Conditionality
Federal Reserve, December 2012	Interest rate (threshold-based; unemployment rate below 6.5%)	Qualitative & quantitative
Federal Reserve, June 2013	Asset purchases (date-based)	Qualitative & quantitative
Bank of England, August 2013	Interest rate & asset purchases (threshold-based; unemployment rate below 7%)	Qualitative & quantitative
ECB, July 2013	Interest rate (open-ended)	Qualitative