Peter Praet

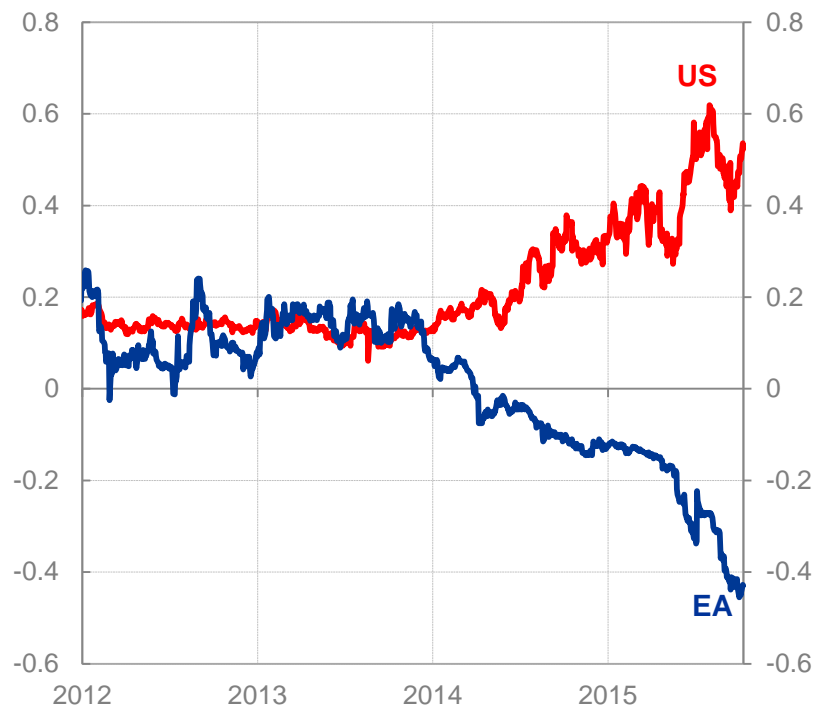Member of the Executive Board of the ECB

The ECB's monetary policy response to disinflationary pressures

The ECB and its Watchers XVII
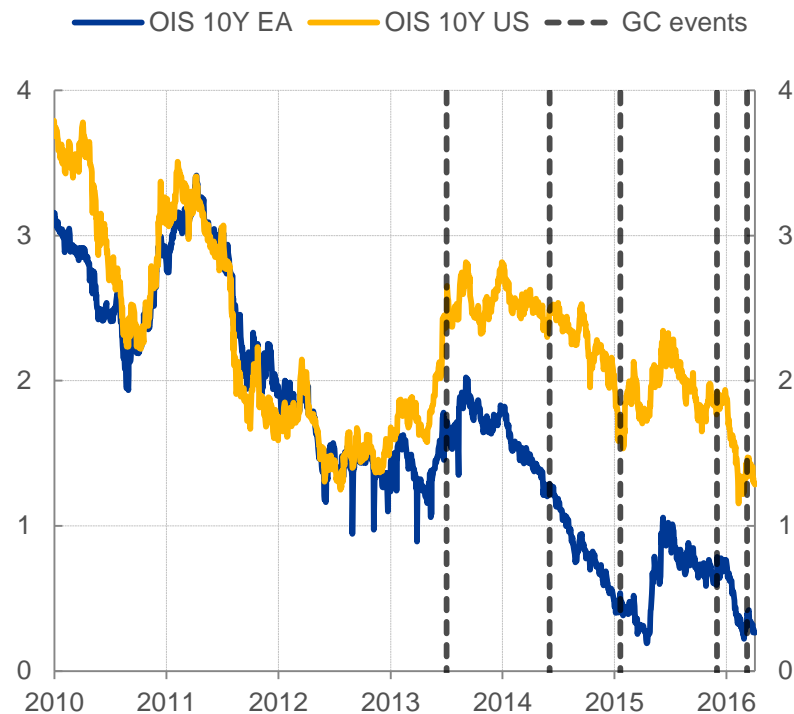
7 April 2016

Forward guidance

One-year Overnight Index Swap
(% per annum)

US

EA

Source: Bloomberg.
Note: Last observation refers to 8 March 2016.

EA and US 10-year OIS
(percent)

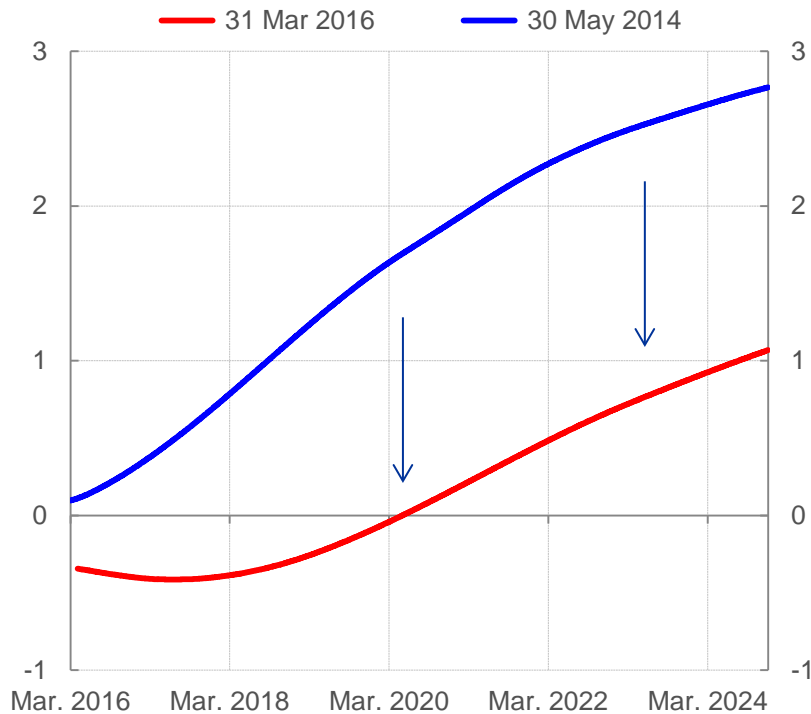—— OIS 10Y EA —— OIS 10Y US - - - GC events

Source: Bloomberg, ECB.
Notes: The GC events include July 2013 (forward guidance), June 2014 (DFR cut), January 2015 (APP), December 2015 (Recalibration of APP and DFR cut) and March 2016.
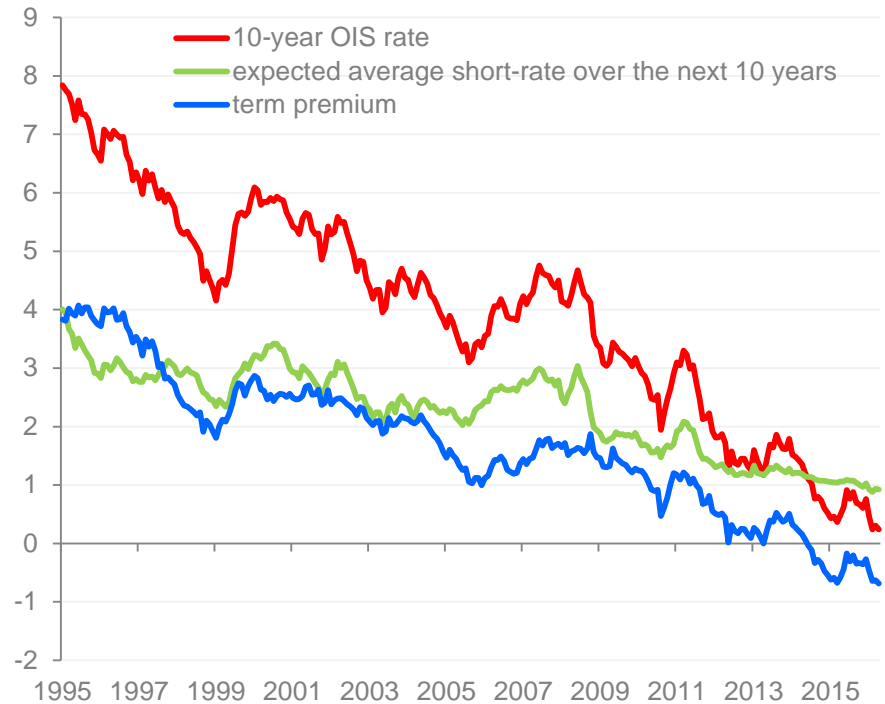Latest observation: 4 April 2016.

Risk-free curve

Eonia forward
(percentage per annum)

Source: Reuters, ECB calculations.
Latest observation: 31 March 2016.

Estimates of the expected interest rates and the term premium in the euro area
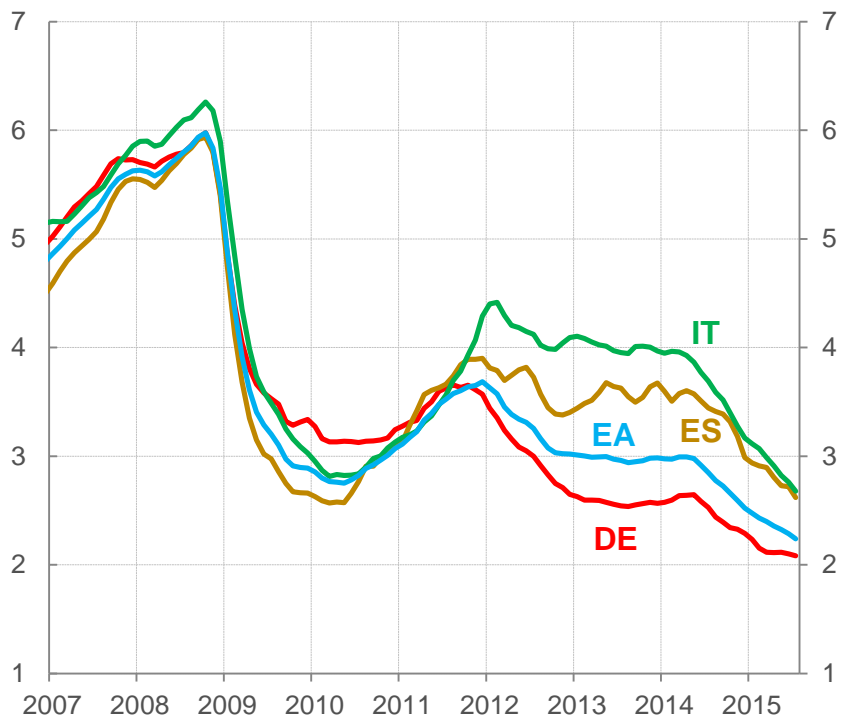*(percentage per annum)*

Sources: Thomson Reuters and ECB estimates
Notes: Estimates of the expected interest rates and the term premium are based on a 3 factor affine model estimated according to Joslin, Singleton and Zhu (2011)
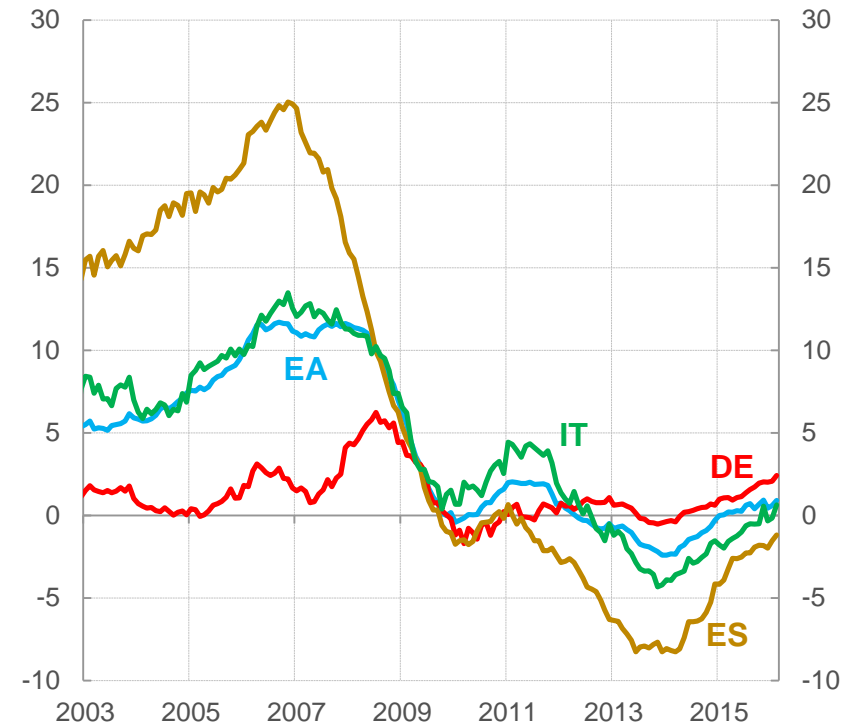Latest observation: April 2016

Total cost of borrowing indicator to NFCs
(percentages per annum; 3-month moving averages)

Bank loans to private sector
annual percentage changes

Source: ECB.
Note: Loans to the private sector adjusted for sales and securitization in accordance with the new method announced on 21 September 2015.
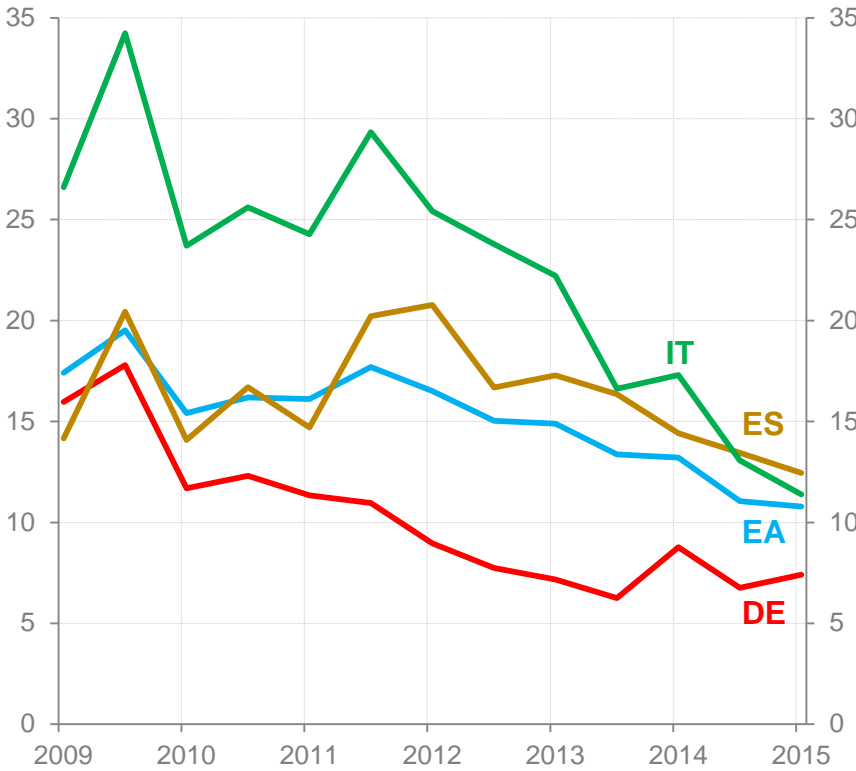*Latest observation: February 2016.*

Source: ECB.
Latest observation: February 2016.

Access to finance for SMEs

(% of firms surveyed responding that access to finance is their most pressing issue)

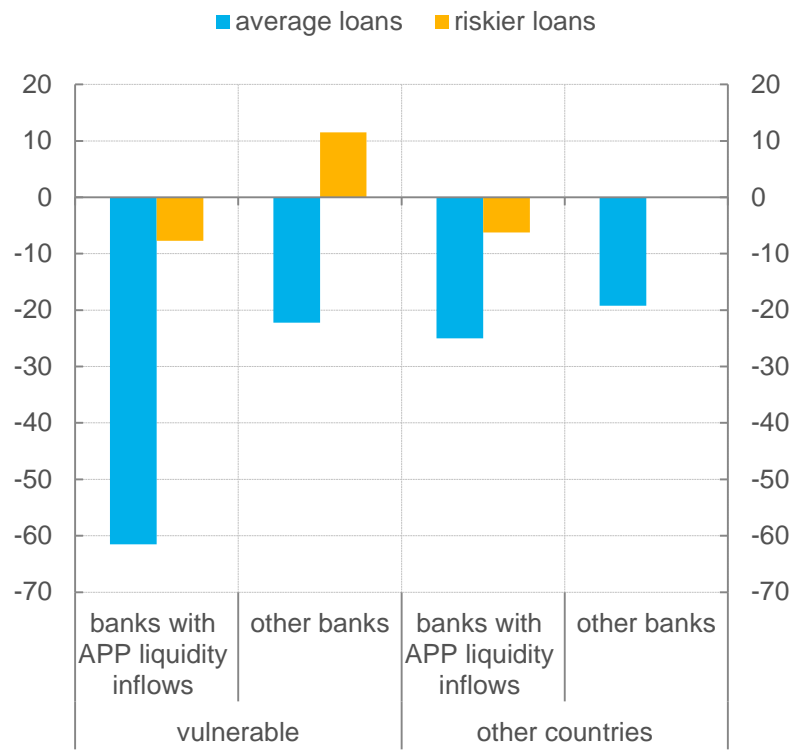*Source: ECB, Survey on Access to Finance of Enterprises.*

Long-term spread performance

(indexes)

Legend:
- Merrill Lynch EUR non-financial IG index
- Itraxx Europe

Source: MarkIT, Merrill-Lynch, Bloomberg.

APP related liquidity inflows and changes in margins for loans to NFCs
(unweighted net percentages)

Purposes for which euro area banks use the additional liquidity from the expanded APP as reported in the October 2015 BLS
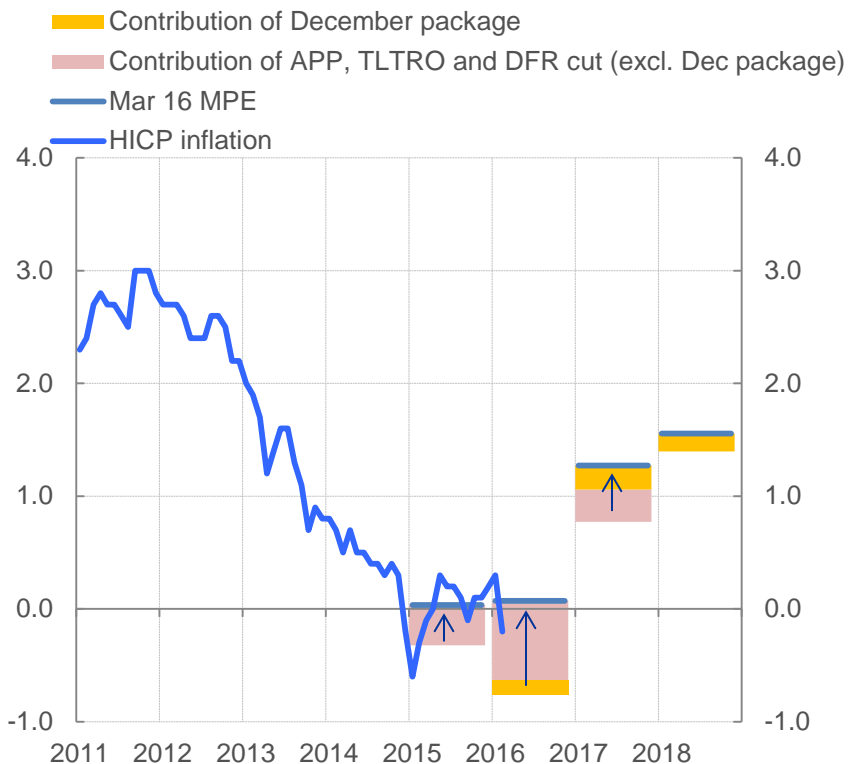*(average percentage of respondents per category)*

Source: Eurosystem BLS, regular questionnaire and ad hoc question on APP.
Notes: Based on unweighted individual data, net percentages for banks indicating APP related liquidity inflows and other reporting banks.
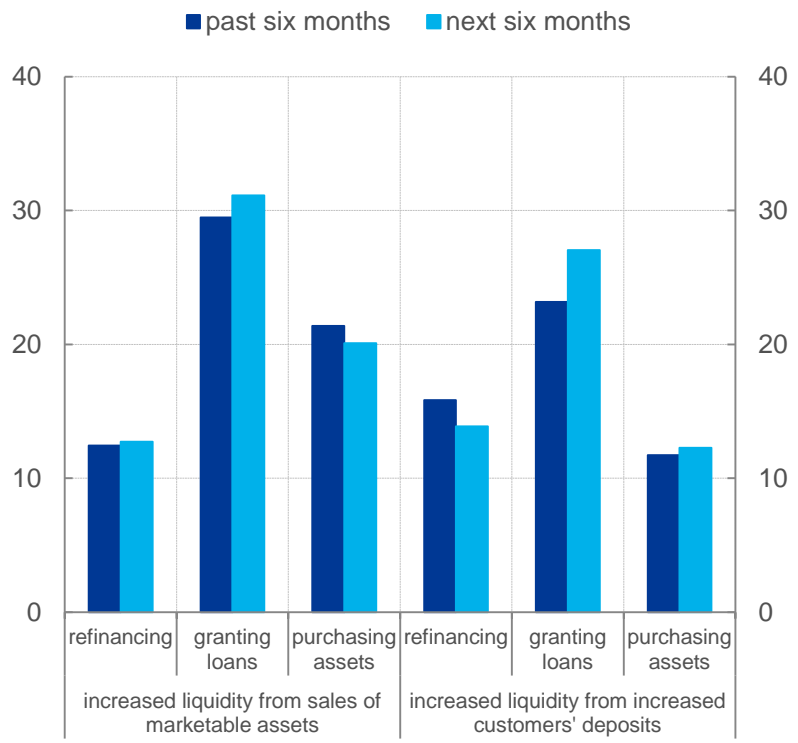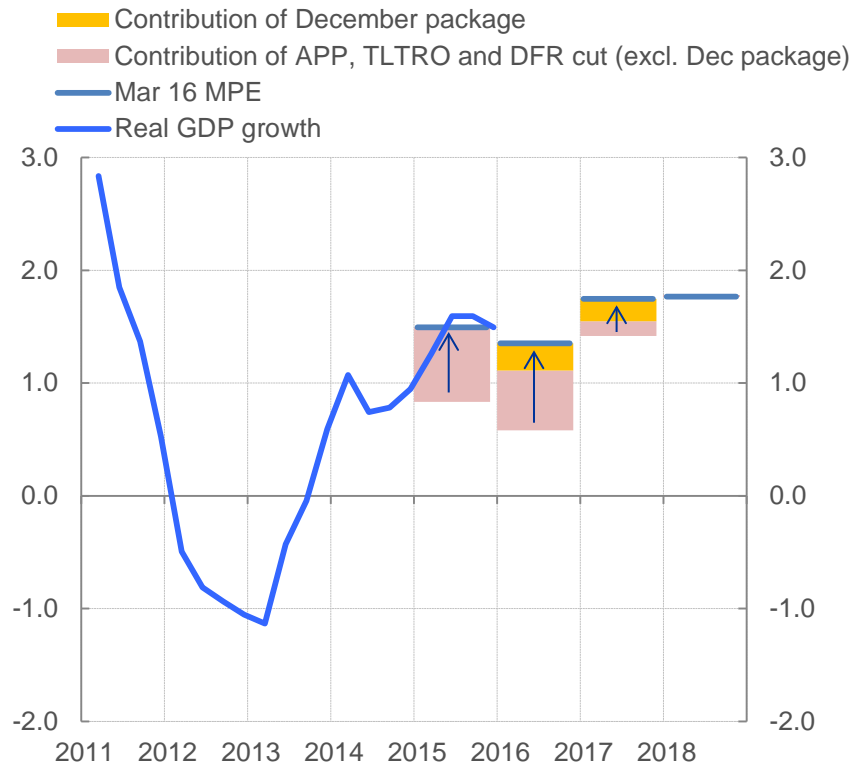
Source: Eurosystem BLS, ad hoc question on APP.
Notes: The percentages are defined as the sum of the percentages for "has contributed (will contribute) considerably to this purpose" and "has contributed (will contribute) somewhat to this purpose". The results shown are calculated as a percentage of the number of banks which did not reply "not applicable".

HICP Inflation, inflation projections and APP/DFR/TLTRO contribution
(year-on-year percent change)

- 🟨 Contribution of December package
- 🟥 Contribution of APP, TLTRO and DFR cut (excl. Dec package)
- — Mar 16 MPE
- — HICP inflation

GDP growth, growth projections and APP/DFR/TLTRO contribution
(year-on-year percent change)

- 🟨 Contribution of December package
- 🟥 Contribution of APP, TLTRO and DFR cut (excl. Dec package)
- — Mar 16 MPE
- — Real GDP growth

Source: ECB computations, March 2016 MPE.
Latest observation: February 2016 for HICP inflation and 2015 Q4 for real GDP growth.

Background slide

ECB monetary policy response: measures since Jun. 2014

	Jun. 2014	Sep. 2014	Jan. 2015	Dec. 2015	Mar. 2016
Rate cuts	MRO: 0.15%: MLF: 0.40%; DRF: -0.10%	MRO: 0.05%: MLF: 0.30%; DRF: -0.20%		MRO: 0.05%: MLF: 0.30%; DRF: -0.30%	MRO: 0.00%: MLF: 0.25%; DRF: -0.40%
TLTROs	Fixed rate (MRO) Max. maturity: Sep. 2018 Uptake depends on net lending Mandatory early repayment				Fixed rate At MRO or below if lending> benchmark *(min. DFR)* No mandatory early repayment
Private asset purchases		Broad portfolio of simple & transparent ABS and CBs		APP recalibration • Adjusted date-based leg (to Mar. 2017) • Reinvestment of principal payments	Purchase of inv.-grade NFC bonds … with high pass-through to real economy
Public asset purchases			Purchases in EA sov. debt markets €60bn monthly purchases, with ABSPP&CBPP3		APP recalibration • €80bn monthly purchases • Higher issue share limit for certain issuers