

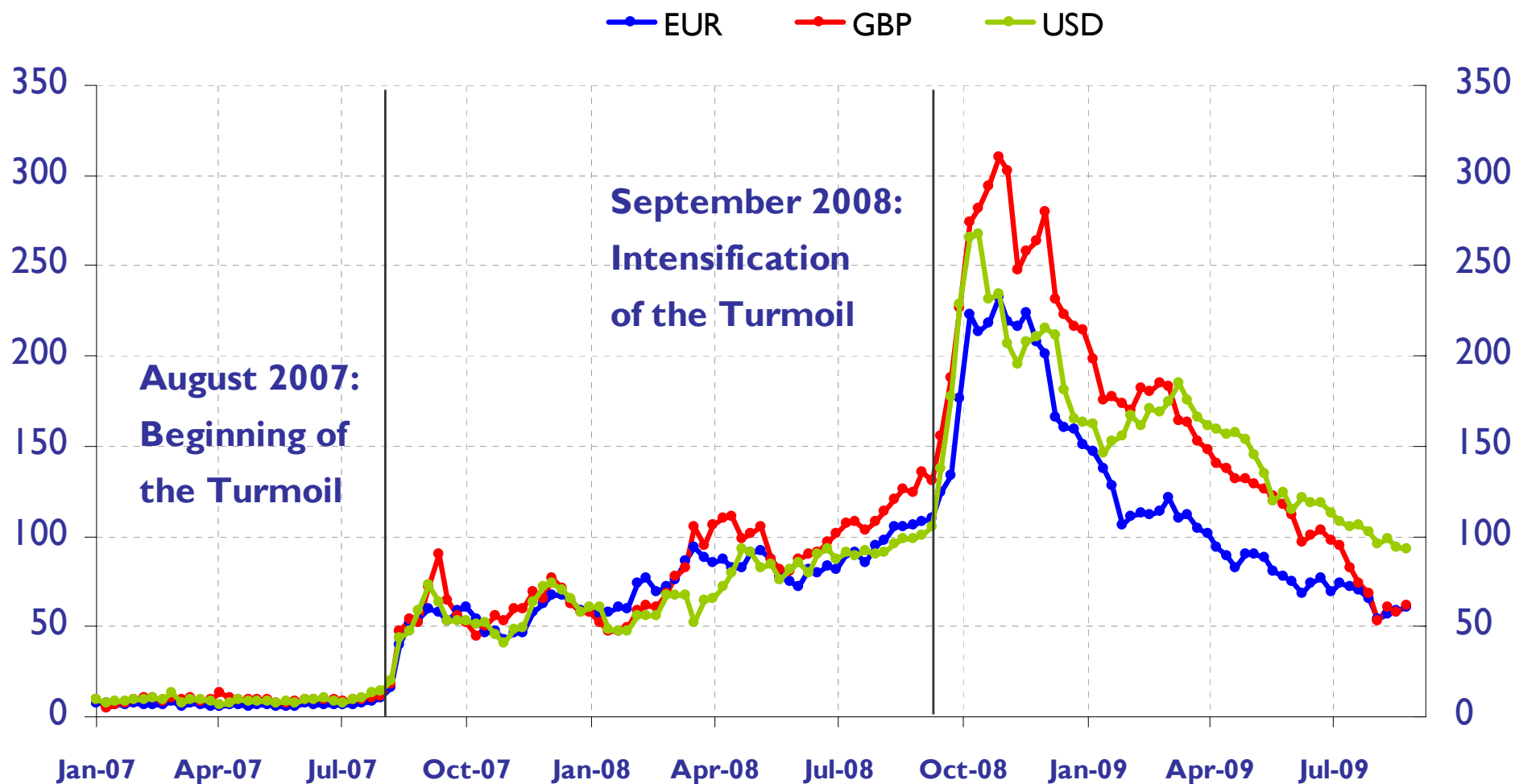
The ECB's exit strategy

Jean-Claude Trichet

President of the European Central Bank

The ECB and its Watchers XI, Frankfurt am Main, 4 September 2009

Interbank market spreads

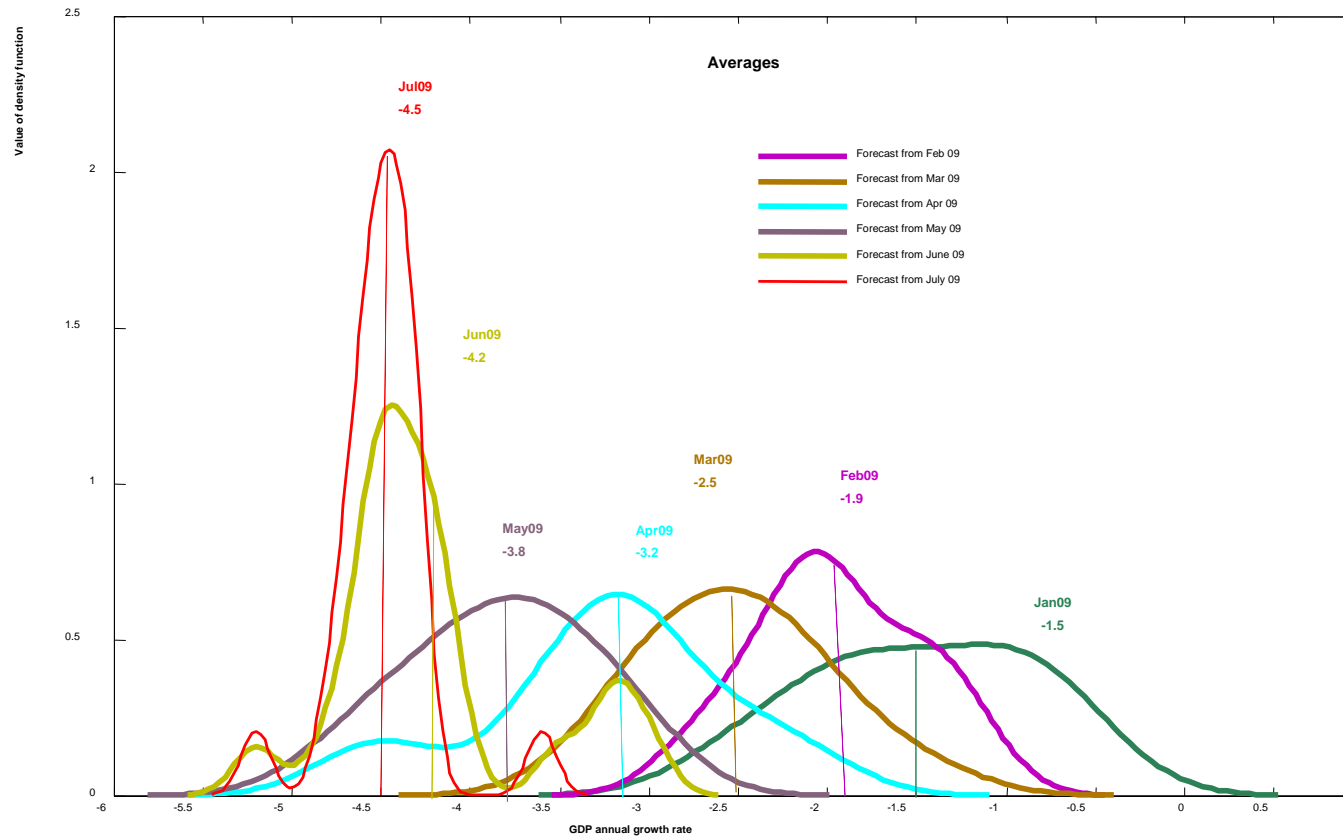


Note: Spreads are the difference between 12-month Euribor/Libor and Overnight Index Swap rates, in basis points.

Source: Bloomberg and ECB's calculations.

The economic freefall

Distribution of Euro Zone Barometer 2009 GDP forecasts



Source: EZB

Last observation: July 2009

The ECB's enhanced credit support

Set of primarily bank-based measures to enhance the flow of credit beyond the standard interest rate channel

- Fixed-rate full-allotment**
- Expansion of collateral**
- Longer-term liquidity provision**
- Liquidity provision in foreign currencies**
- Financial market support through purchases of covered bonds**

Definition of a strategy

A strategy

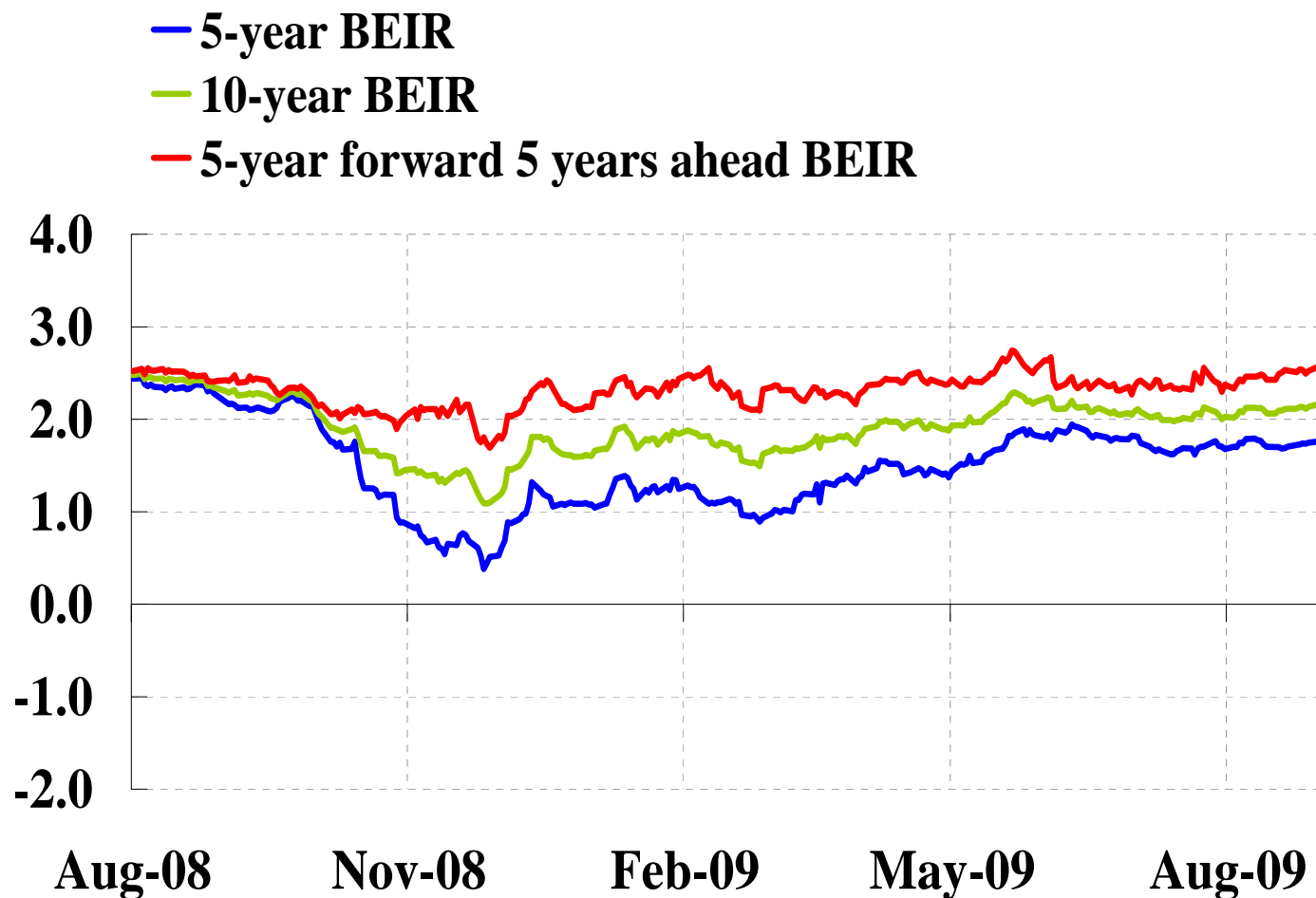
- **framework to govern actions**
- **not identical to a particular course of action**
- **existence not to be confused with activation**

The exit strategy

Four cornerstones:

1. **Monetary policy strategy** shapes the exit
2. **Design** of enhanced credit support facilitates exit
3. **Ability to act:** independence and technical capability
4. **Credible alertness:** reputation to act when appropriate

Anchoring of inflation expectations: euro area



Note: Data in percent; Last observation 2 Sep 2009

Source: Reuters, ECB Calculations.

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