



EUROPEAN CENTRAL BANK

EUROSYSTEM

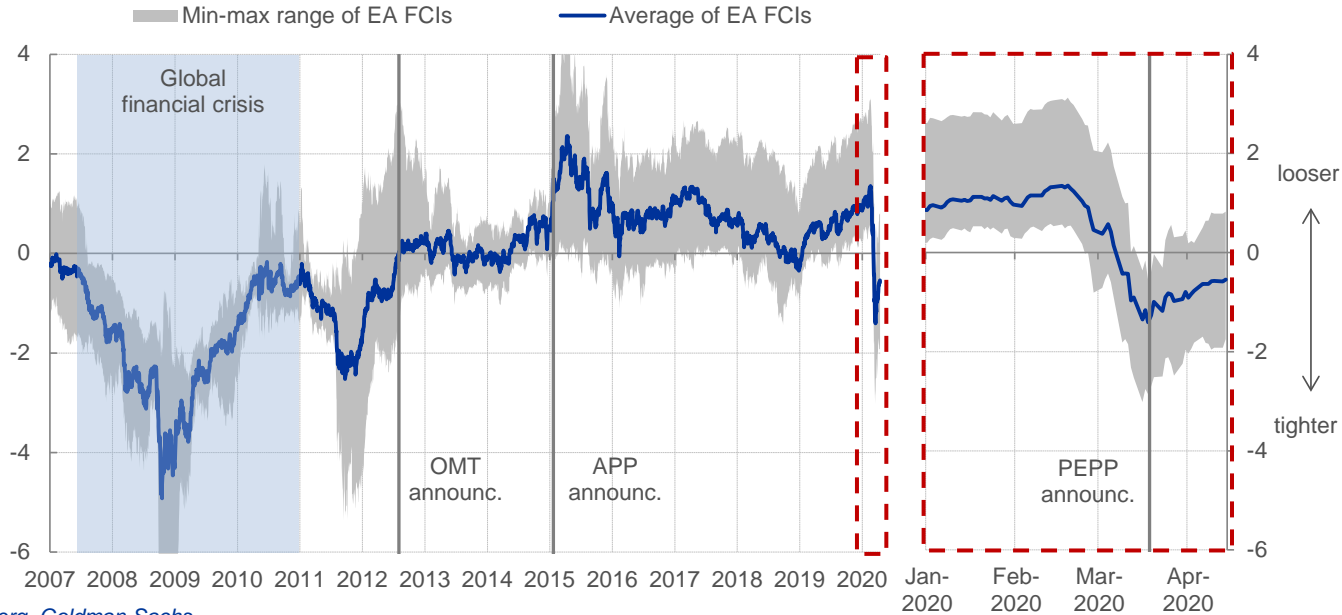
The ECB's response to the COVID-19 pandemic

ECGI 24-Hour Global
Webinar, 16 April 2020

Isabel Schnabel

Significant tightening in financial conditions as pandemic hits euro area

Financial condition indices for the euro area



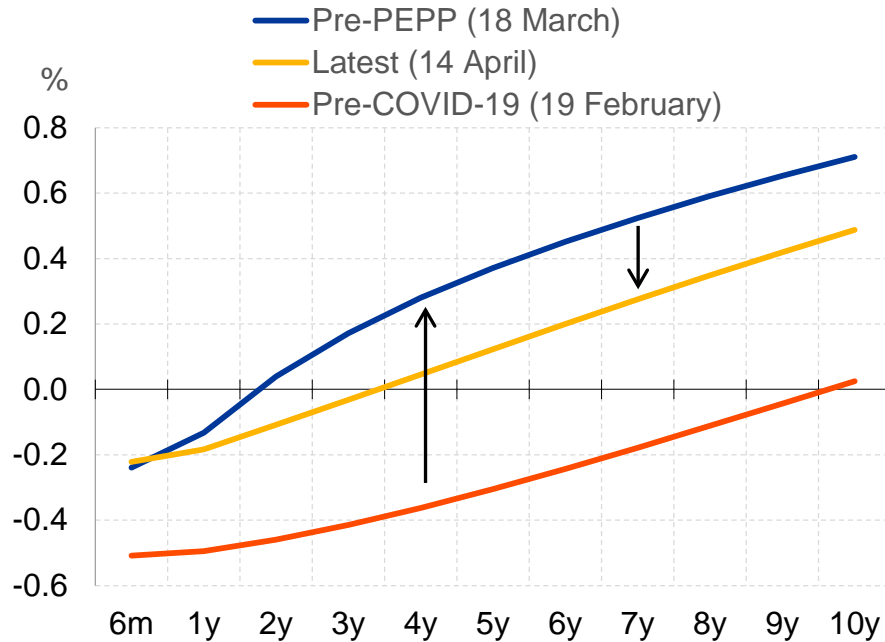
Source: ECB, Bloomberg, Goldman Sachs.

Note: The chart covers two FCIs constructed by the ECB, one by Bloomberg and one by Goldman Sachs. The FCIs are constructed as weighted averages of different financial variables. For the ECB FCIs these variables include the 1-year OIS, the 10-year OIS, the NEER of the euro vis-à-vis 38 trading partners, and the Euro Stoxx Index. For the Bloomberg and Goldman Sachs FCIs, broader sets of variables are considered. The weight of each financial variable in the ECB and Goldman Sachs indices is based on their estimated relationship with key macroeconomic aggregates. The variables in the Bloomberg FCI are divided into sub-indexes, consisting of money market, bond-, and equity-indicators, and equally weighted within.

Last observation: 14 April 2020.

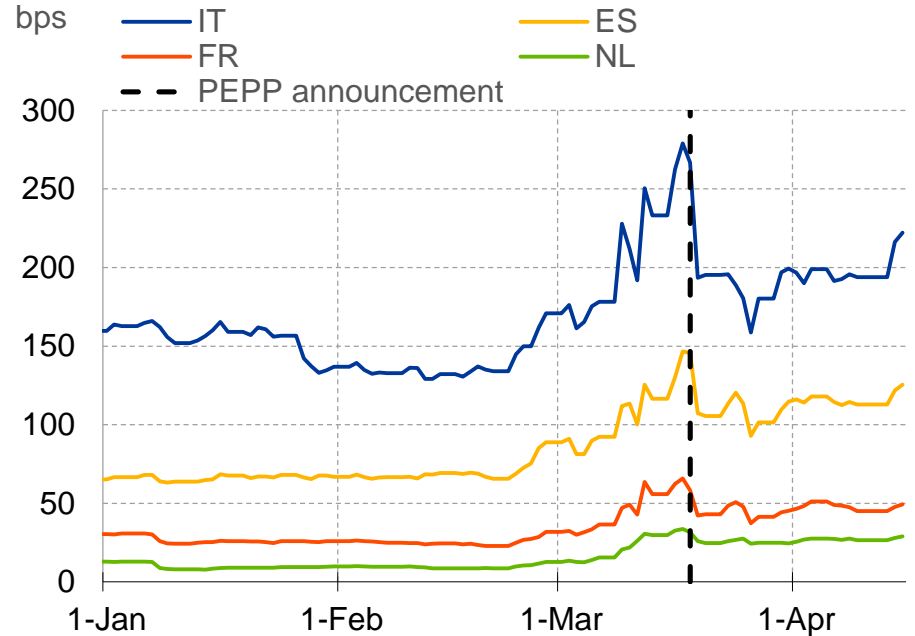
PEPP reversed unwarranted tightening of euro area monetary stance

Euro area GDP-weighted sovereign bond curve



Source: ECB.
Last observation: 14 April 2020.

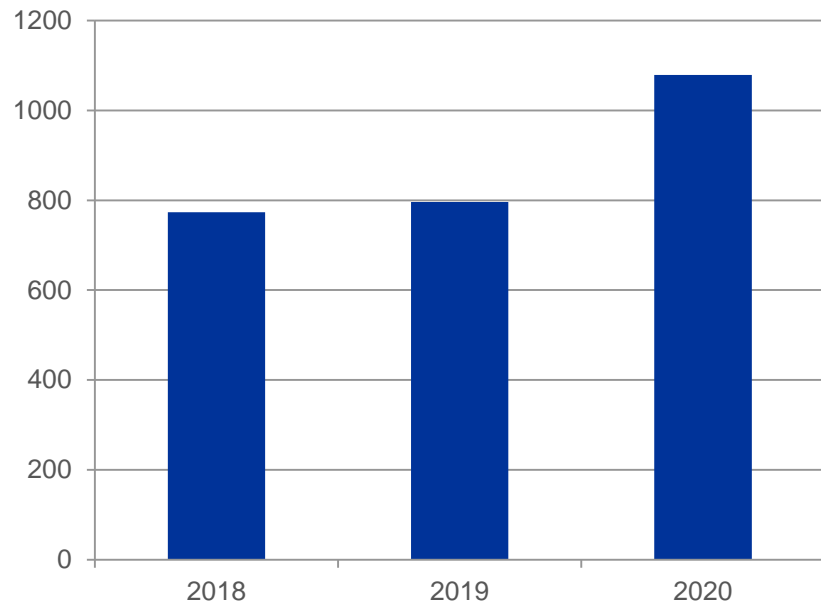
10-year spreads over German Bunds



Source: Bloomberg. Last observation: 15 April 2020.

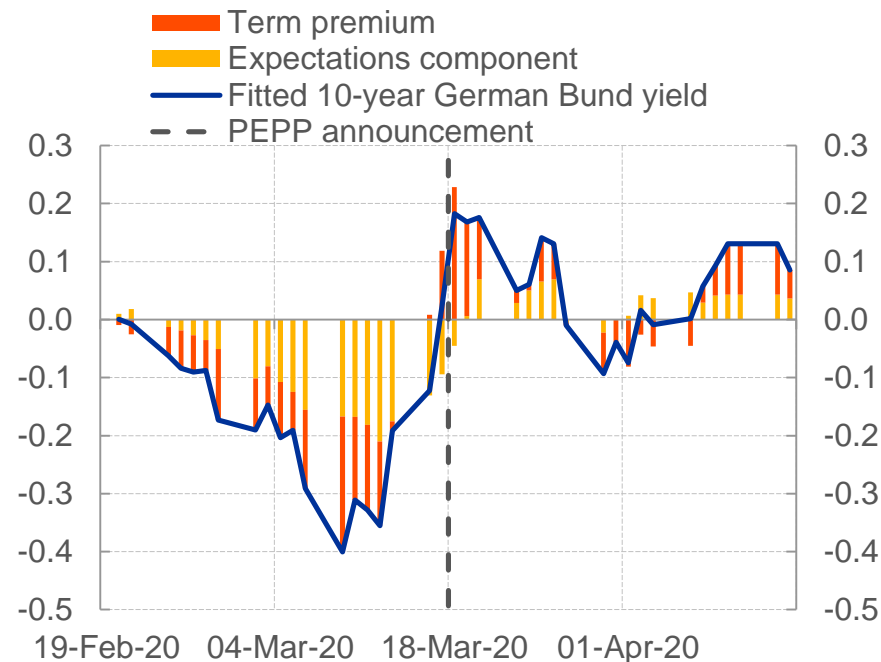
PEPP stabilises funding conditions by absorbing issuance-driven duration risk

Gross issuance (past and expected) for the five largest euro area economies (€ million)



Sources: ECB Security Issuance Statistics for 2018 and 2019, ECB estimates for 2020 based on currently available information. Note: Figures refer to central government debt securities issued by Germany, France, Italy, Spain and the Netherlands with maturity larger than one year and denominated in euro.

Decomposition of the 10-year German Bund into term premium and expectations component



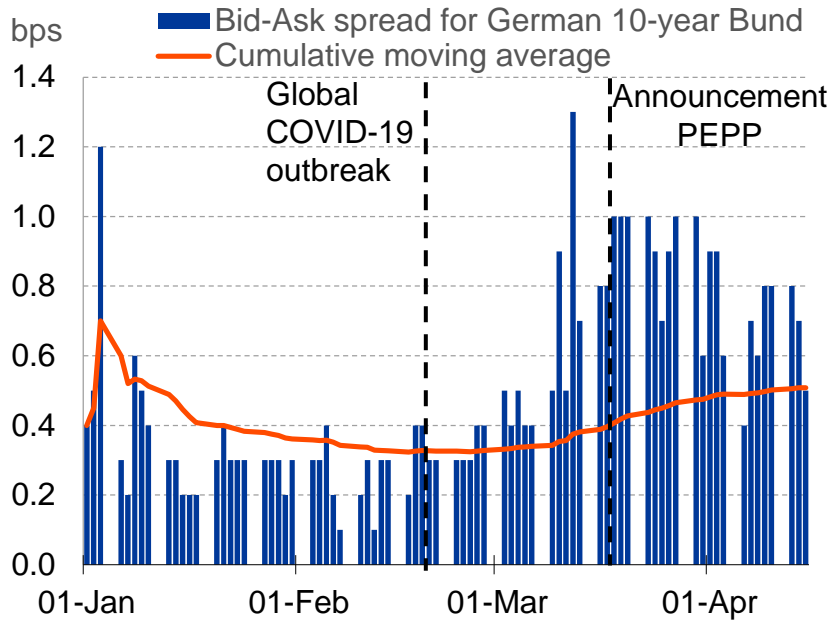
Source: BIS and ECB calculations.

Notes: Percentage points, daily cumulative changes since 19 February 2020.

Last observation: 14 April 2020.

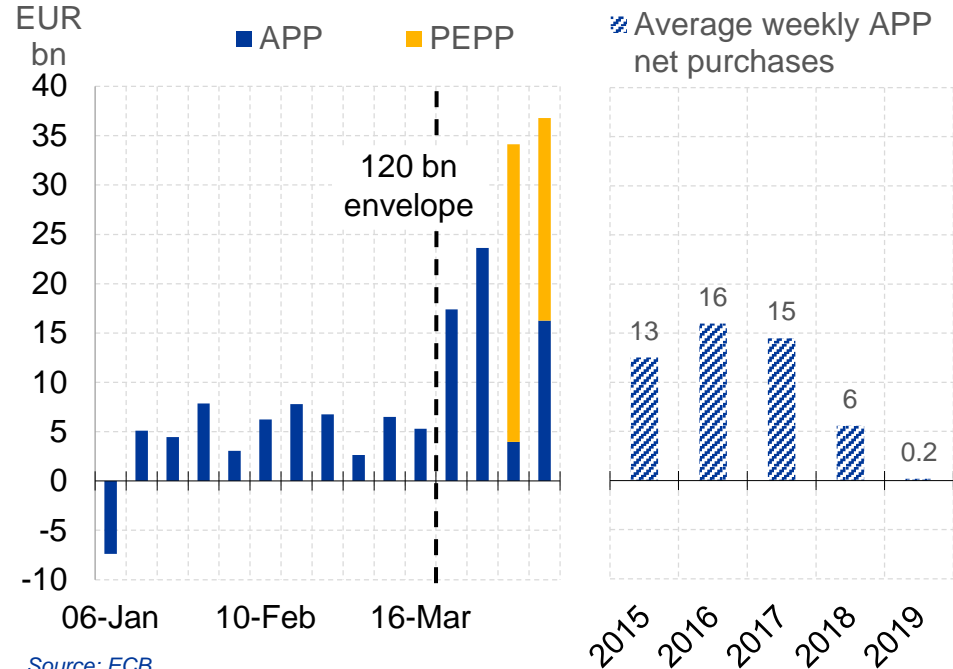
Increased ECB presence in markets helps improve liquidity conditions

Average bid-ask spread for 10-year German Bund



Source: Bloomberg.
 Last observation: 15 April 2020.
 Note: Cumulative moving average computed from 1 January onwards.

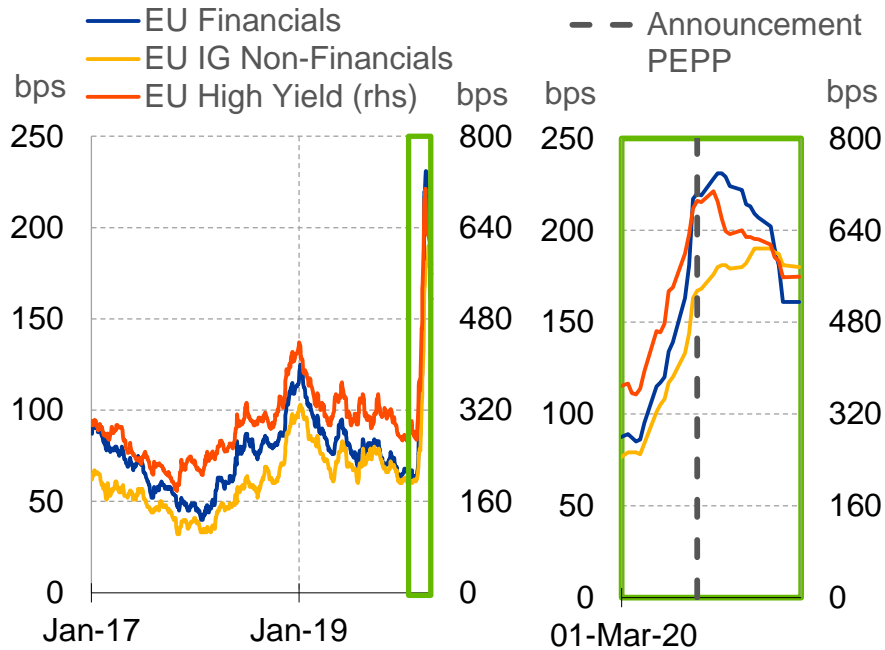
Weekly purchase volumes under APP and PEPP



Source: ECB.
 Last observation: 13 April 2020.

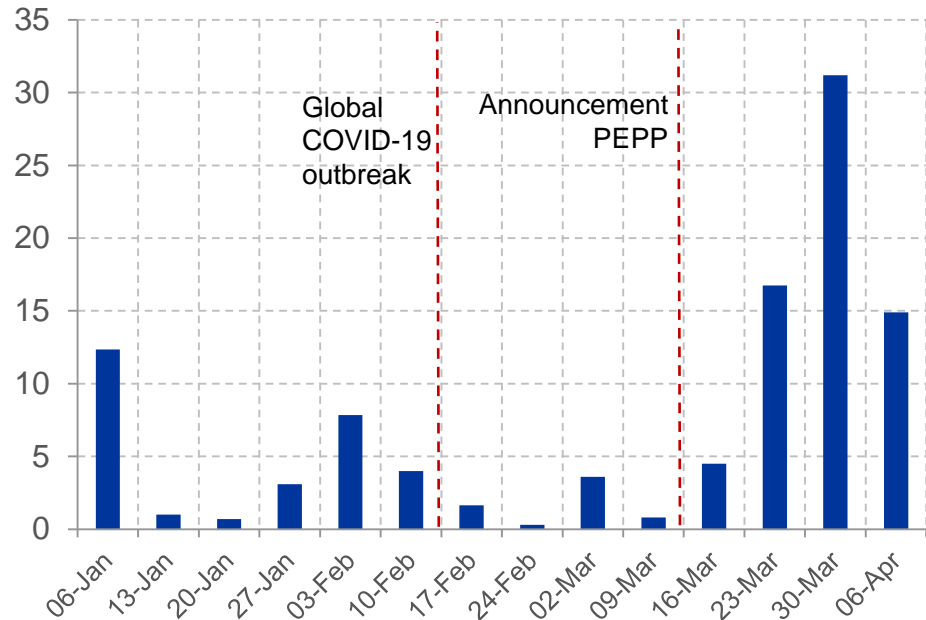
Asset purchases helped stabilise credit spreads and revive primary market issuance

Corporate bond spreads



Source: Bloomberg, Bank of America Merrill Lynch, ECB calculations.
 Last observation: 14 April 2020.

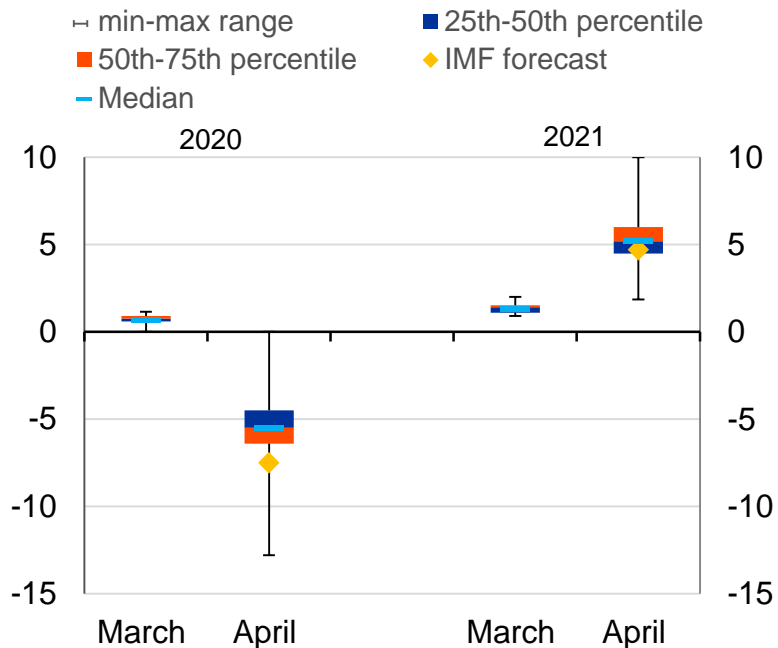
Issuance of CSPP- and PEPP-eligible corporate bonds (€billion, excluding commercial paper)



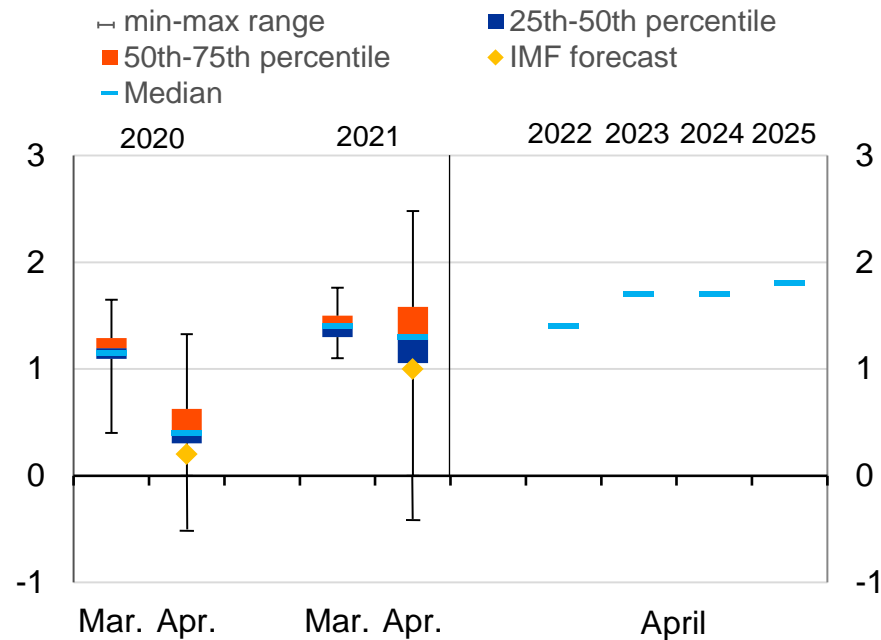
Source: Dealogic and ECB calculations. Notes: Dates refer to the Monday of each week. Weekly issued amounts. Last observation: 9 April 2020.

Private sector forecasters expect V-shaped recovery but uncertainty looms large

Consensus euro area GDP growth forecast:
March compared to April survey



Consensus euro area CPI forecast:
March compared to April survey



Source: Consensus Economics, IMF and ECB calculations.

Note: Percentages per annum, blue and red bars denote the 25th – 50th and 50th – 75th percentiles, respectively.

Yellow diamonds represent IMF April 2020 forecasts.

Thank you