The ECB’s response to the COVID-19 pandemic
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

10-year spreads over German Bunds

PEPP stabilises funding conditions by absorbing issuance-driven duration risk

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

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

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.

Source: BIS and ECB calculations.
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

![Graph showing corporate bond spreads from Jan-17 to 01-Mar-20, with EU Financials, EU IG Non-Financials, and EU High Yield (rhs) tracked over time. The graph also includes an inset showing a close-up of the spread changes.]


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

![Bar chart showing issuance of CSPP- and PEPP-eligible corporate bonds from 06-Jan to 06-Apr, with dates indicating the announcement of PEPP and the COVID-19 outbreak.]

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