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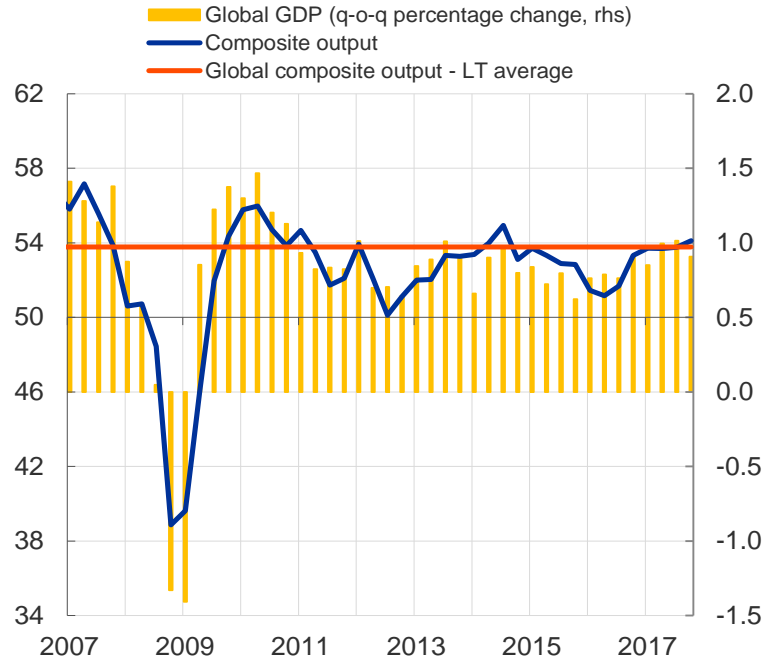
Global Monetary Policies – Similarities and divergences on the way to the new normal

GIC/SUERF/Deutsche Bundesbank Conference

Frankfurt am Main, 8 February 2018

Global PMI composite output and global output

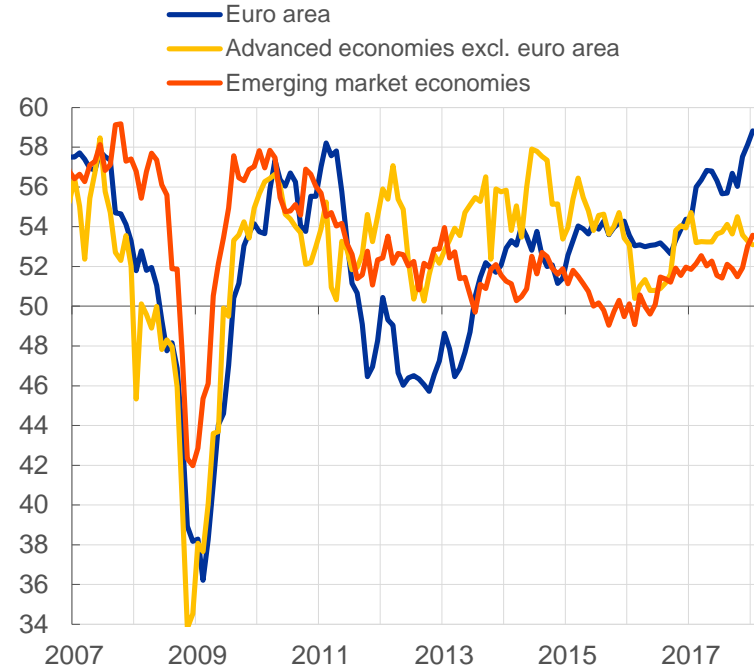
(diffusion index, lhs; q-o-q % changes, rhs)



Sources: Markit, ECB calculations.
 Note: Long-term average refers to 1999 onwards.
 Latest observation: 2017 Q4

Composite output PMIs: euro area, advanced economies and EMEs

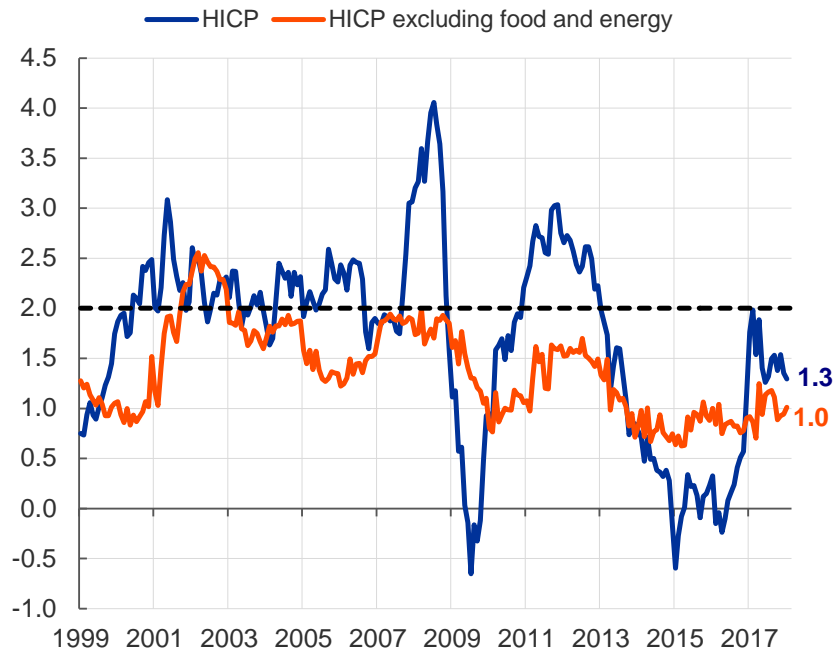
(diffusion index; monthly data)



Sources: Haver Analytics, Markit, IMF/WEO, ECB calculations.
 Notes: Euro area is subtracted from Markit aggregate for advanced economies, based on GDP weights.
 Latest observation: January 2018

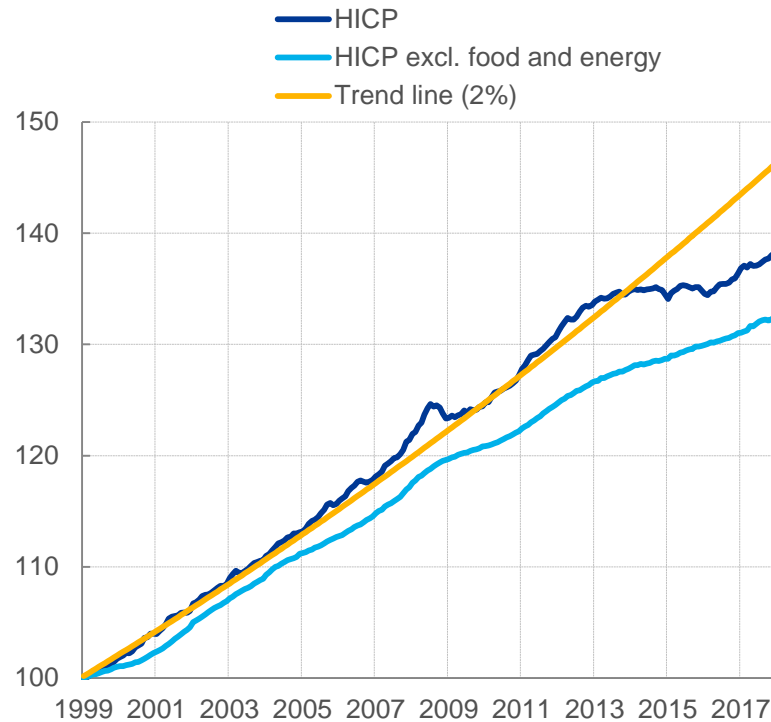
HICP inflation and HICP excluding food and energy

(annual percentage changes)



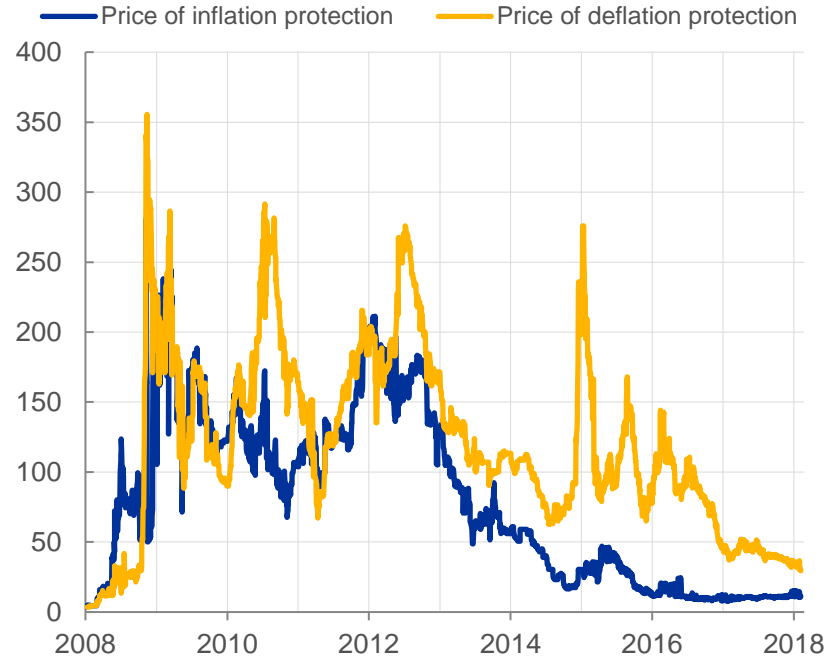
Sources: Eurostat and ECB calculations.
Latest observation: January 2018

HICP level



Source: ECB.
Notes: January 1999=100
Latest observation: January 2018

Price of inflation and deflation protection (percentages per annum)



Source: Bloomberg

Note: The price of inflation (deflation) protection refers to the price of a five-year year-on-year inflation option with a 4% cap (0% floor).

Latest observation: 6 February 2018

Monetary policy stance determined by combination & interaction of:

- our **policy rates**,
- our **asset purchase programme**,
- and our **forward guidance** on each of these tools

... complemented by:

- the **TLTROs**, which will remain outstanding for the next three years

The ECB's forward guidance

Key ECB interest rates

- expected to remain at present levels for an extended period of time
- and well past horizon of **net asset purchases**

Asset Purchase Programme (APP)

- **net asset purchases** intended to continue at monthly pace of €30 billion, until end-Sep 2018
- or beyond, if necessary & in any case until GovC sees sustained adjustment in path of inflation (SAPI) consistent with inflation aim
- if outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards SAPI, stand ready to increase APP in size and/or duration
- Eurosystem will reinvest principal payments from maturing securities for an extended period of time after end of net purchases, and in any case for as long as necessary

Criteria for sustained adjustment in the path of inflation (SAPI)

Convergence

- Headline inflation on course to reach levels below, but close to 2% in the medium term;

Confidence

- Sufficient confidence in durable stabilisation of inflation around these levels;

Resilience

- Self-sustaining inflation developments resilient to less supportive monetary policy conditions.