



EUROPEAN CENTRAL BANK

EUROSYSTEM

Reassessing monetary policy tools in a volatile macroeconomic environment

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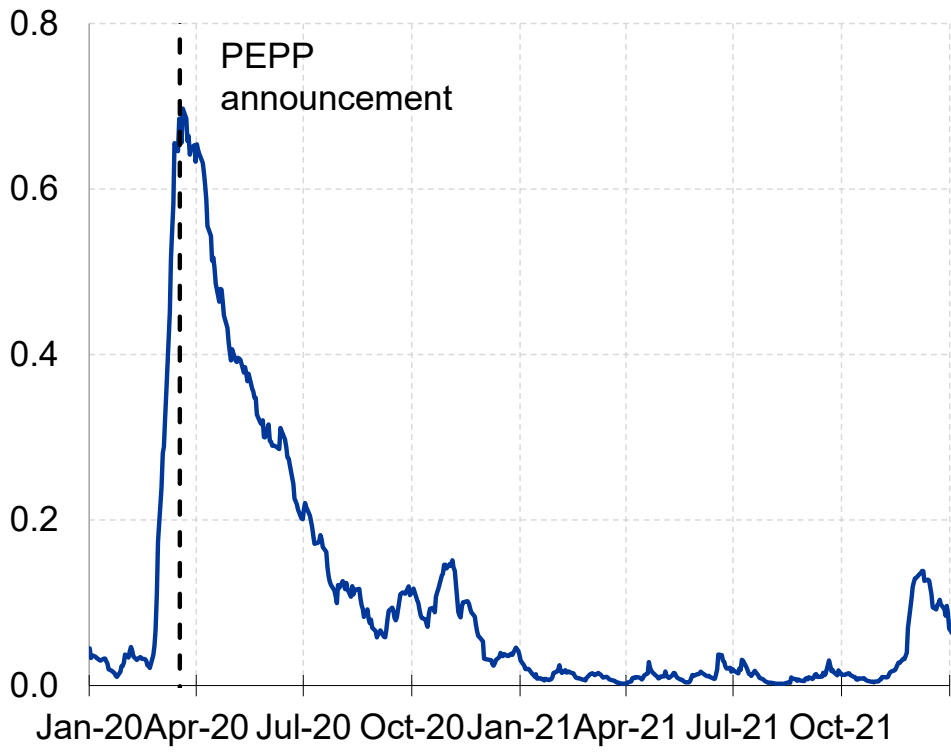
*Member of the Executive Board
of the European Central Bank*



Colloquium in honour of Claudio Borio
Basel, 22 November 2024

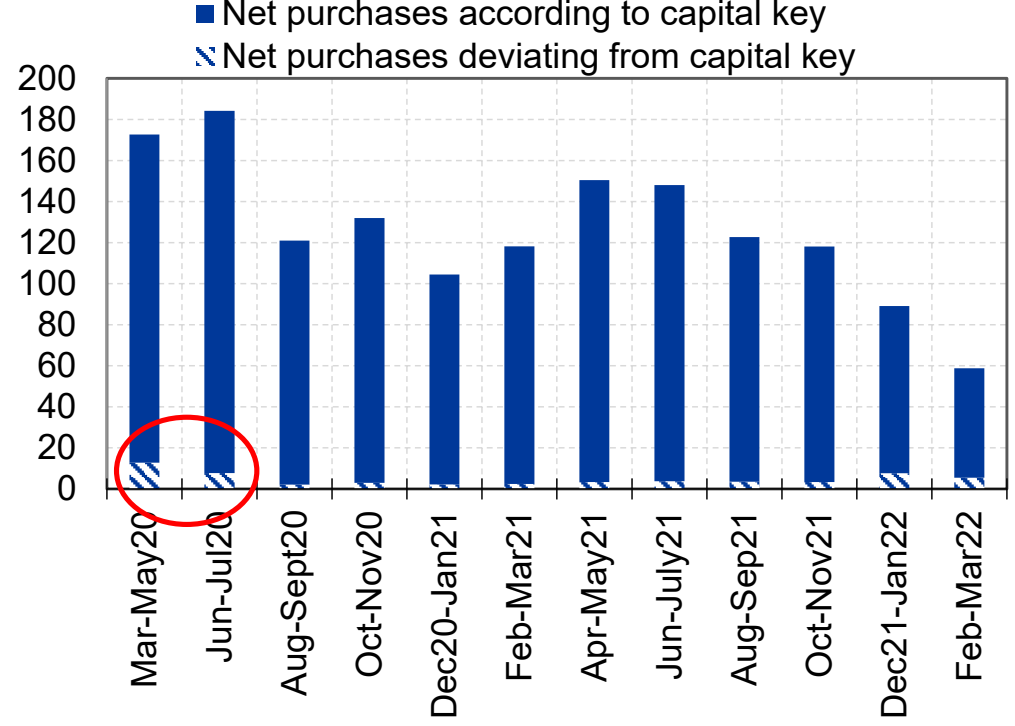
Asset purchases can stabilise financial markets through short-lived interventions

Composite Indicator of Systemic Stress (CISS)
(0 = no stress, 1 = high stress)



Observation period: January 2020 – December 2021.
Source: ECB.

PEPP public sector purchases and capital key deviations
(EUR bn)

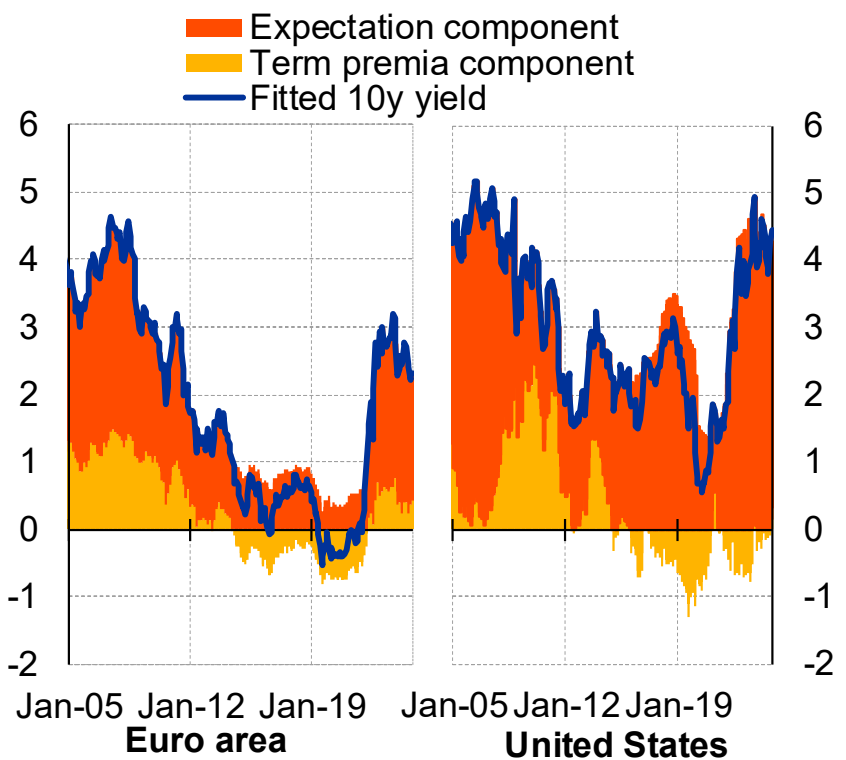


Notes: Bimonthly PEPP public sector net purchases excluding supranational bonds. The solid blue part of bars represents the part of net purchases that were conducted according to capital key. The dashed part at the bottom of bars represents the part of net purchases that deviated from capital key.
Sources: ECB website and ECB calculations.

Compressed term and risk premia imply more muted impact on financial conditions

Decomposition of 10-year spot rates into expected rates and term premia

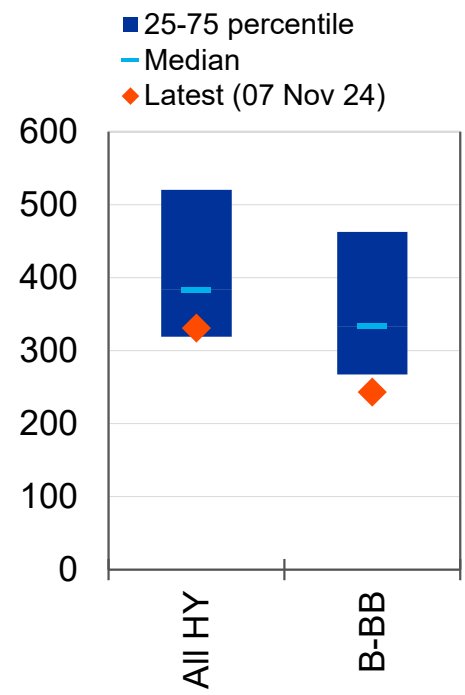
(percentages per annum)



Notes: Model estimates for euro area are based on two affine term structure models, one with and one without survey information on interest rate expectations (both variations of Joslin, Singleton and Zhu (2011)), and a lower bound term structure model following Geiger and Schupp (2018) incorporating survey information on interest rate expectations. Model estimates for the United States are based on the Adrian Crump and Moench (2013). Latest observation: November 2024 (monthly data). Sources: Bloomberg and ECB calculations.

Corporate bond spreads

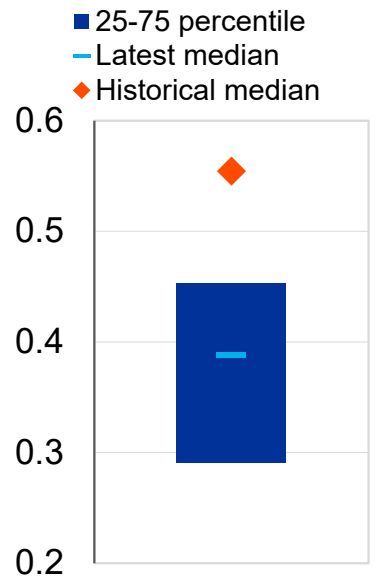
(basis points)



Notes: Distribution of market capitalisation-weighted option-adjusted swap spreads over the period 31 January 2000 to latest within selected rating categories of the bonds in the ICE BofA Global Corporate & High Yield Index. Latest observation: November 2024 (monthly data). Sources: ICE, Moody's, Compustat and ECB calculations.

Changes in financial conditions scaled by rate hikes

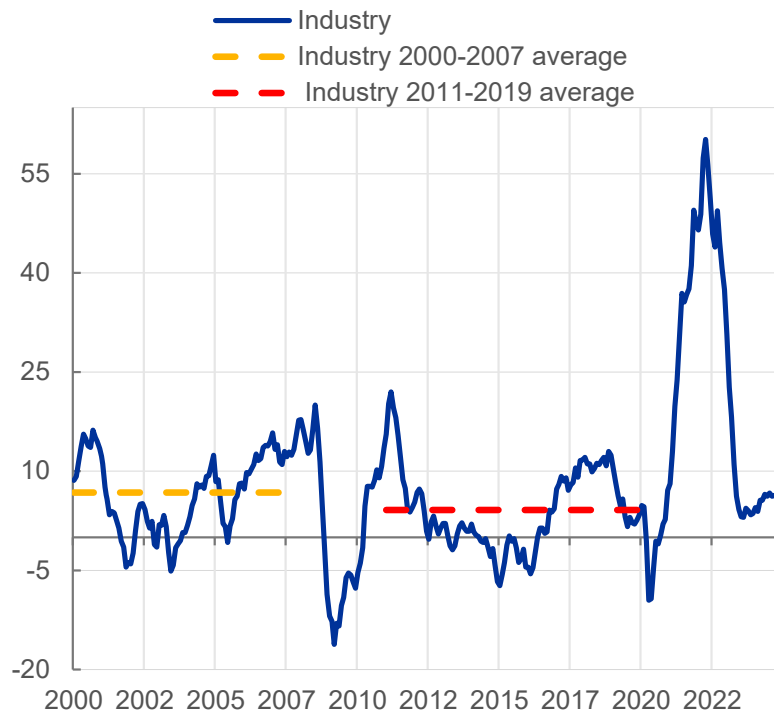
(advanced economies, index points)



Notes: Maximum change in Goldman Sachs Financial Conditions index for 18 advanced economies (GDP-weighted) throughout tightening episodes, divided by corresponding policy rate increase. Historical episodes since 1980. Latest episode: 2020–22. Sources: BIS calculations. www.ecb.europa.eu

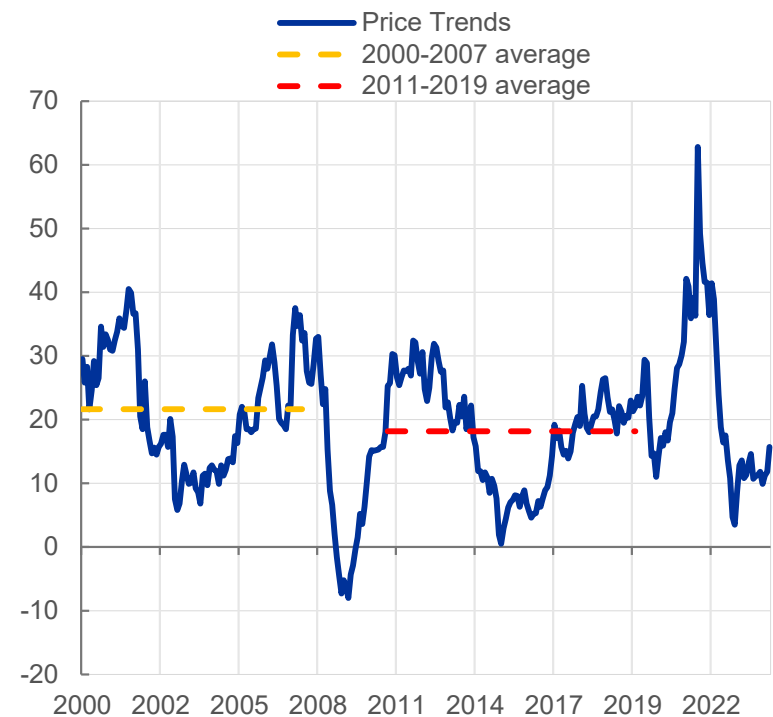
In the low inflation period, deflationary risks appear to have been limited

Industrial firms' selling price expectations (percentage balances)



Notes: Selling price expectations for the 3 months ahead series are seasonally adjusted. Percentage balance equals per cent of respondents reporting an increase minus the per cent of respondents reporting a decrease. Latest observation: October 2024. Source: European Commission/Haver Analytics.

Consumer's opinion on price trends over next 12 months (percentage balances)



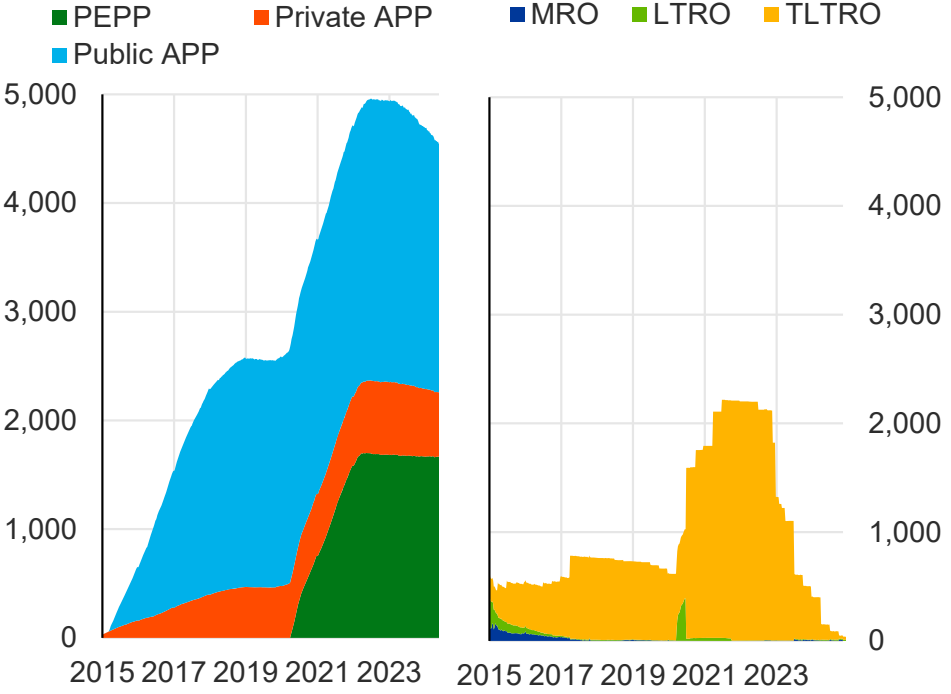
Notes: Consumer price expectations for the next 12 months series are seasonally adjusted. Percentage balance equals per cent of respondents reporting an increase minus the per cent of respondents reporting a decrease. Latest observation: October 2024. Source: European Commission/Haver Analytics.

Unlike QE, TLTROs could be unwound quickly; forward guidance slowed policy reaction

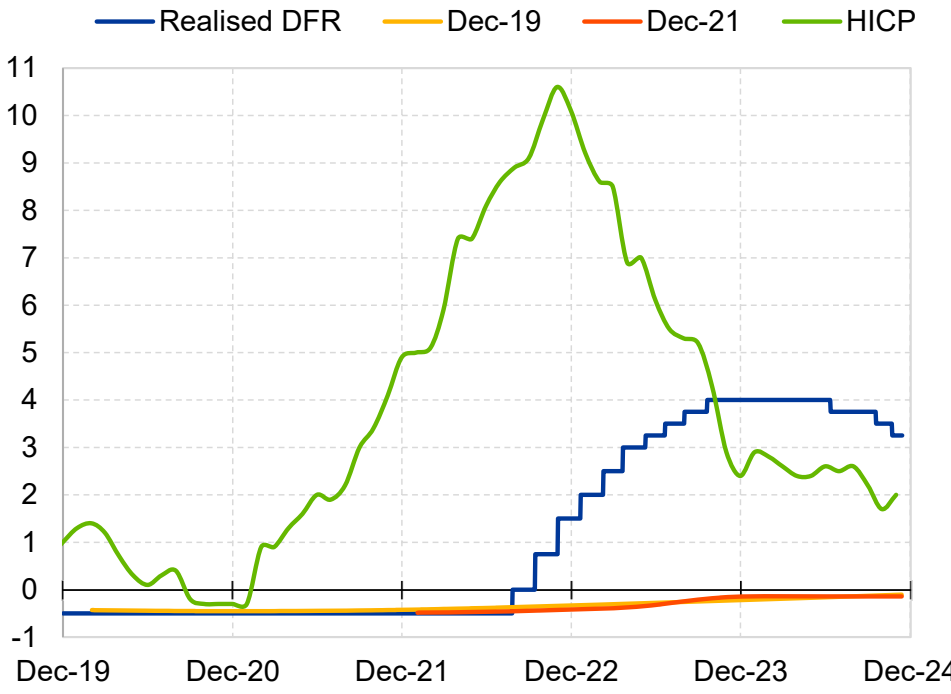
Monetary policy assets (EUR billion)

Bond portfolio

Refinancing operations



Euro forward OIS curve, realised DFR and HICP inflation (per cent, annual percentage changes)



Notes: Public APP is PSPP; Private APP is CBPP3, ABSPP and CSPP.
Latest observation: November 2024.
Source: ECB.

Notes: Chart refers to realised and forward deposit facility rate (DFR) levels. Yellow and red lines refer to the forward curves in December 2019 and 2021, respectively.
Latest observation: November 2024 (October 2024 for HICP).
Sources: Bloomberg and ECB calculations.



Thank you very much for your attention!