Monetary policy normalization: Scenarios and risk

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Central bank balance sheets

January 2007 = 100

Source: Thomson Reuters.
Development of GDP and inflation since the beginning of the big recession

Real GDP in euro area countries

Index: 2007Q1=100

Note: Gray lines show the course of the other euro area countries.

Source: Eurostat.

Euro area HICP-inflation

Change to previous year in %


HICP Total, HICP excluding food and energy
Policy and market interest rates

\textit{in \%}

- ECB main refinancing rate
- EONIA
- Fed target rate
- Effective fed funds rate

Source: Macrobond.
HICP inflation and core inflation in the Euro area

Source: Eurostat.
Nominal compensation per employee

*Source: European Commission.*

1) *Forecast: EC November 2017.*
Monetary policy of the Eurosystem will remain accommodative

- Monetary policy rates at 0.25%, 0.00% and –0.40%
- Forward guidance: policy rates are expected “to remain at their present levels for an extended period of time, and well past the horizon of our net asset purchases”
- Continuation of fixed rate full allotment in all tender operations at least until end-2019
- The expanded asset purchase programme (APP), with monthly purchases worth EUR 30 billion will continue until end-September 2018 or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.
- Reinvestment of the principal payments (APP) for an extended period of time after the end of the net asset purchases, and in any case for as long as necessary