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

GIC/SUERF/Deutsche Bundesbank Conference
Frankfurt am Main, 8 February 2018
Composite output PMIs: euro area, advanced economies and EMEs
(difference 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

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
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)

<table>
<thead>
<tr>
<th>Convergence</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Headline inflation on course to reach levels below, but close to 2% in the medium term;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sufficient confidence in durable stabilisation of inflation around these levels;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resilience</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Self-sustaining inflation developments resilient to less supportive monetary policy conditions.</td>
</tr>
</tbody>
</table>