

# Short Note ECB

## ECB monetary policy decision

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### ECB leaves PEPP purchases unchanged for now

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The recent good economic data combined with the progress in vaccinations was reflected in increased optimism within the ECB Governing Council. The clearest sign of this was the change in the assessment of the risk distribution. Until recently, the risks for the economy had been assumed to be tilted to the downside, but now the risks are seen as balanced. Optimism is also on the rise among ECB economists. Forecasts for GDP growth rates for 2021 and 2022 were raised by 0.6 percentage points to 4.6% and 4.7%, respectively. Inflation forecasts for the two years also increased, from 1.5% to 1.9% for 2021 and from 1.2% to 1.5% for 2022. This was mainly due to higher expectations for energy prices and one-off effects. But not only that, the stronger economic growth also caused expectations for core inflation to rise slightly. Ultimately, however, this does little to change the fact that the ECB does not expect to reach its inflation target of below but close to 2% for years to come. For 2023, both the inflation rate and the core inflation rate are forecast at 1.4%.

The increased optimism was not yet enough to decide on a reduction in monthly securities purchases under the PEPP programme. This means that the pace of the second quarter will be continued in the third. This was generally expected and thus did not trigger a market reaction. When asked about the further development of the PEPP programme after the third quarter, ECB President Lagarde did not want to commit herself in any way and said it was too early to think about it. Overall, however, we believe that today's meeting of the ECB's Governing Council has prepared the ground for an expiry of the PEPP programme.

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Note: Past performance is not necessarily indicative of future results.

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