

# Short Note ECB

## ECB monetary policy decision

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### ECB president explains monetary policy

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As had been widely expected, the Governing Council decided on no change in monetary policy at the meeting that ended today. The announcement of the decisions included a change emphasizing the flexible scope of the PEPP purchase program as a whole. Depending on the need to ensure favorable financing conditions, the amount currently set could not be fully utilized or could be increased if necessary. However, this had already been stated in the accounts of the last meeting published a week ago.

Nevertheless, a number of questions revolved around the future extent of purchases under PEPP. The ECB president explained that the aim was to maintain favorable financing conditions and that the necessary amounts would be used for this purpose. In determining what was favorable, a holistic, multi-faceted approach would be taken, and it would be guided by inflation dynamics. Which is probably to be interpreted as meaning that when inflation expectations are better (higher), somewhat higher interest rates/yields are considered favorable than when inflation expectations are low.

The ECB president's assessment of the economy was slightly better than at the previous meeting. This was due to the start of vaccinations, the avoidance of hard Brexit, the agreement on the Next Generation EU program and less political uncertainty from the US. Overall, this more than compensated for the ongoing lockdowns in Europe and the risks posed by the mutations of the virus. Thus, the risks to the economy were again said to be to the downside, but were less pronounced.

Finally, the ECB president said that the exchange rate of the euro would be closely monitored and clarified that all ECB instruments can be adjusted. In our view, this statement confirms that, should the euro rise noticeably further, which we do not expect, the ECB could react by lowering interest rates.

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

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