



CHAO & COMPANY  
FIDUCIA PERPETUA

## March 7, 2019, ECB Press Conference – What has changed from January 24, 2019?

### Summary

- Keep ECB interest rates unchanged and expect to remain so at least through the summer of 2019. (**unchanged**)
- Intend to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. (**unchanged**)
- Launch a new series of quarterly targeted longer-term refinancing operations (TLTRO-III), starting in September 2019 and ending in March 2021, each with a maturity of two years. These new operations will help to preserve favourable bank lending conditions and the smooth transmission of monetary policy. (**new**)
- Continue conducting our lending operations as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the reserve maintenance period starting in March 2021. (**new**)
- The weakening economic data points to a sizeable moderation in the pace of the economic expansion will extend into the current year. The underlying inflation continues to be muted. The weaker economic momentum is slowing the adjustment of inflation towards levels that are below, but close to, 2% over the medium term. (**new**)
- Compared with the December 2018 Eurosystem staff macroeconomic projections, the outlook for real GDP growth has been revised down substantially in 2019 and slightly in 2020. (**new**)

# PRESS CONFERENCE

<https://www.ecb.europa.eu/press/pressconf/2019/html/ecb.is190307~de1fd0b0.en.html>

**Mario Draghi, President of the ECB,  
Luis de Guindos, Vice-President of the ECB,  
Frankfurt am Main, ~~24 January~~ March 7 2019**

## INTRODUCTORY STATEMENT

Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference. We will now report on the outcome of today's meeting of the Governing Council, which was also attended by the Commission Vice-President, Mr Dombrovskis.

Based on our regular economic and monetary analyses, we **have conducted a thorough assessment of the economic and inflation outlook, also taking into account the latest staff macroeconomic projections for the euro area. As a result, the Governing Council took the following decisions in the pursuit of its price stability objective.**

**First, we** decided to keep the **key ECB interest rates** unchanged. We continue to expect them to remain at their present levels at least through the summer of 2019, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term.

~~Regarding non-standard monetary policy measures~~ **Second**, we intend to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

The incoming information has continued **Third, we decided to launch a new series of quarterly targeted longer-term refinancing operations (TLTRO-III), starting in September 2019 and ending in March 2021, each with a maturity of two years. These new operations will help to**

preserve favourable bank lending conditions and the smooth transmission of monetary policy. Under TLTRO-III, counterparties will be ~~weaker than expected~~ entitled to borrow up to 30% of the stock of eligible loans as at 28 February 2019 at a rate indexed to the interest rate on ~~account of softer external demand and~~ the main refinancing operations over the life of each operation. Like the outstanding TLTRO programme, TLTRO III will feature built-in incentives for credit conditions to remain favourable. Further details on the precise terms of TLTRO-III will be communicated in due course.

Fourth, we will continue conducting our lending operations as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the reserve maintenance period starting in March 2021.

Today's monetary policy decisions were taken to ensure that inflation remains on a sustained path towards levels that are below, but close to, 2% over the medium term. While there are signs that some country and sector-specific ~~of the idiosyncratic domestic factors dampening growth are starting to fade,~~ the weakening in economic data points to a sizeable moderation in the pace of the economic expansion that will extend into the current year. The persistence of uncertainties ~~in particular relating~~ related to geopolitical factors and, the threat of protectionism is weighing ~~and vulnerabilities in emerging markets appears to be leaving marks~~ on economic sentiment. **Moreover, underlying inflation continues to be muted. The weaker economic momentum is slowing the adjustment of inflation towards our aim.** At the same time, supportive financing conditions, favourable labour market dynamics and rising wage growth continue to underpin the euro area expansion and gradually rising inflation pressures. ~~This supports our confidence in the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term. Significant monetary policy stimulus remains essential to~~ **Today's decisions will support the further build-up of domestic price pressures and headline inflation developments over the medium term. This will Significant monetary policy stimulus will continue to** be provided by our forward guidance on the key ECB interest rates, reinforced by the reinvestments of the sizeable stock of acquired assets **and the new series of TLTROs**. In any event, the Governing Council stands ready to adjust all of its

instruments, as appropriate, to ensure that inflation continues to move towards the Governing Council's inflation aim in a sustained manner.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. Euro area real GDP increased by 0.2%, quarter on quarter, in the ~~third~~ **fourth** quarter of 2018, following growth of 0.14% in the ~~previous two quarters~~ **third quarter**. Incoming data have continued to be ~~weaker than expected as a result of a~~ weak, **in particular in the manufacturing sector, reflecting the** slowdown in external demand compounded by some country and sector-specific factors. ~~While the~~ **The** impact of ~~some of~~ these factors is ~~expected to fade,~~ **turning out to be somewhat longer-lasting, which suggests that** the near-term growth ~~momentum is likely to~~ **outlook will** be weaker than previously anticipated.

Looking ahead, the **effect of these adverse factors is expected to unwind. The** euro area expansion will continue to be supported by favourable financing conditions, further employment gains and rising wages, ~~lower energy prices,~~ and the ongoing – albeit somewhat slower – expansion in global activity.

**This assessment is broadly reflected in the March 2019 ECB staff macroeconomic projections for the euro area. These projections foresee annual real GDP increasing by 1.1% in 2019, 1.6% in 2020 and 1.5% in 2021. Compared with the December 2018 Eurosystem staff macroeconomic projections, the outlook for real GDP growth has been revised down substantially in 2019 and slightly in 2020.**

The risks surrounding the euro area growth outlook ~~have moved~~ **are still tilted** to the downside on account of the persistence of uncertainties related to geopolitical factors and the threat of protectionism, **and** vulnerabilities in emerging markets ~~and financial market volatility~~.

~~Euro~~ **According to Eurostat's flash estimate, euro** area annual HICP inflation ~~declined to~~ **was** 1.56% **in February 2019, after December 2018,** ~~from~~ 1.49% in ~~November~~ **January**, reflecting ~~mainly lower~~ **somewhat higher** energy **and food** price inflation. On the basis of current futures prices for oil, headline inflation is likely to ~~decline further over the coming months~~ **remain at around current levels before declining towards the end of year**. Measures of underlying inflation remain generally muted, but labour cost pressures ~~are continuing to strengthen and broaden~~ **have**

**strengthened and broadened** amid high levels of capacity utilisation and tightening labour markets. Looking ahead, underlying inflation is expected to increase over the medium term, supported by our monetary policy measures, the ongoing economic expansion and rising wage growth.

**This assessment is also broadly reflected in the March 2019 ECB staff macroeconomic projections for the euro area, which foresee annual HICP inflation at 1.2% in 2019, 1.5% in 2020 and 1.6% in 2021. Compared with the December 2018 Eurosystem staff macroeconomic projections, the outlook for HICP inflation has been revised down across the projection horizon, reflecting in particular the more subdued near-term growth outlook.** Turning to the **monetary analysis**, broad money (M3) growth **moderated decreased** to 3.87% in ~~November 2018~~ **January 2019**, from 4.1% in December 2018 ~~after 3.9% in October~~. M3 growth continues to be backed by bank credit creation, **notwithstanding a recent moderation in credit dynamics**. The narrow monetary aggregate M1 remained the main contributor to broad money growth.

The annual growth rate of loans to non-financial corporations ~~stood at 4.0~~ **declined to 3.3%** in ~~November 2018, after~~ **January 2019**, from 3.9% in ~~October~~ **December 2018**, reflecting a base effect but also, in some countries, the typical lagged reaction to the slowdown in economic activity, while the annual growth rate of loans to households remained ~~broadly unchanged at 3.3%. The euro area bank lending survey for the fourth quarter of 2018 suggests that overall bank lending conditions remained at 3.2%. Borrowing conditions for firms and households are still favourable following an extended period of net easing, and demand for bank credit continued to rise, thereby underpinning loan growth. The pass-through of~~ **as** the monetary policy measures put in place since June 2014 continues **continue** to **significantly** support ~~borrowing conditions for firms and households,~~ access to financing – in particular for small and medium-sized enterprises ~~—and credit flows across the euro area. The policy measures decided today, and in particular the new series of TLTROs, will help to ensure that bank lending conditions remain favourable going forward.~~

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis confirmed that an ample degree of monetary accommodation is still necessary for the continued sustained

convergence of inflation to levels that are below, but close to, 2% over the medium term.

In order to reap the full benefits from our monetary policy measures, other policy areas must contribute more decisively to raising the longer-term growth potential and reducing vulnerabilities. The implementation of **structural reforms** in euro area countries needs to be substantially stepped up to increase resilience, reduce structural unemployment and boost euro area productivity and growth potential. ~~Regarding fiscal policies, the Governing Council reiterates the need for rebuilding fiscal buffers.~~ This is particularly important in **view of the overall limited implementation of the 2018 country-specific recommendations, as recently communicated by the European Commission. Regarding fiscal policies, the mildly expansionary euro area fiscal stance and the operation of automatic stabilisers are providing support to economic activity. At the same time,** countries where government debt is high ~~and for which full adherence to the Stability and Growth Pact is critical for safeguarding sound fiscal positions~~ **need to continue rebuilding fiscal buffers. All countries should continue to increase efforts to achieve a more growth-friendly composition of public finances.** Likewise, the transparent and consistent implementation of the ~~EU's~~ **European Union's** fiscal and economic governance framework over time and across countries remains essential to bolster the resilience of the euro area economy. Improving the functioning of Economic and Monetary Union remains a priority. The Governing Council welcomes the ongoing work and urges further specific and decisive steps to complete the banking union and the capital markets union.

We are now at your disposal for questions.