



EUROPEAN CENTRAL BANK

EUROSYSTEM

Peter Praet

Member of the Executive Board

Ensuring a sustained adjustment in inflation

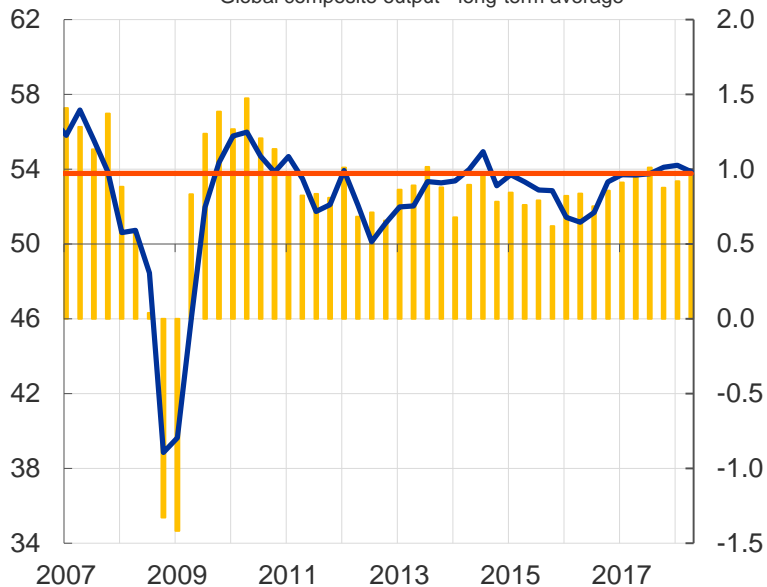
Banca Națională a României

Bucharest, 3 July 2018

Global PMI composite output and global output

(diffusion index, lhs; q-o-q % changes, rhs)

- Global GDP (q-o-q percentage change, rhs)
- Global composite output (lhs)
- Global composite output - long-term average



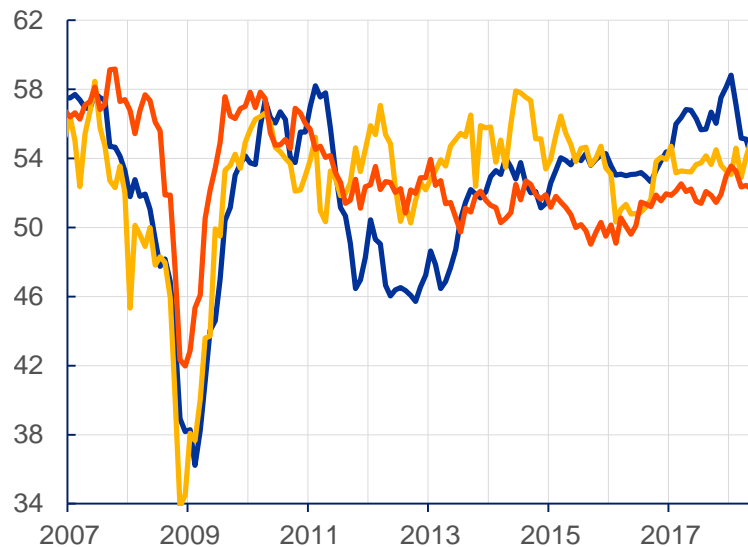
Sources: Markit, ECB staff calculations.

Note: Long-term average refers to 1999 onwards. Latest observation: 2018Q2 for PMI and for global GDP. Forecast from June 2018 BMPE for 2018Q2 global GDP.

Composite output PMIs: euro area, advanced economies and EMEs

(diffusion index; SA; monthly data)

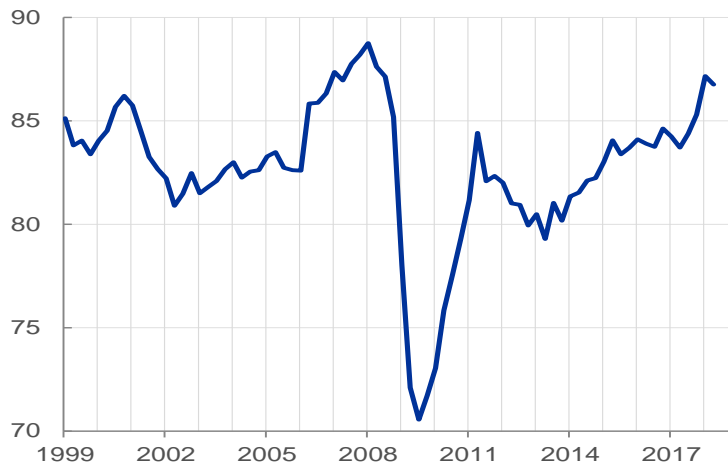
- Euro area
- Advanced economies excl. euro area
- Emerging market economies



Sources: Markit, Haver Analytics, ECB staff calculations.

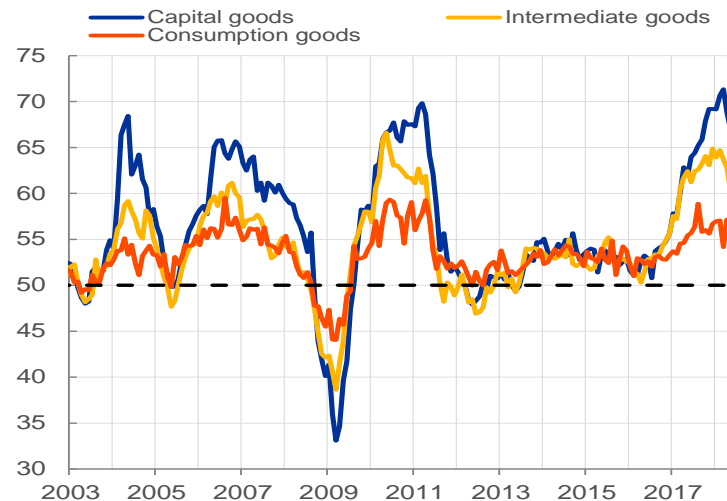
Notes: ECB staff calculations for the aggregate advanced economies excluding the euro area, comprising US, Japan and UK. Latest observation: May 2018.

Capacity utilisation in the capital goods sector (percent)



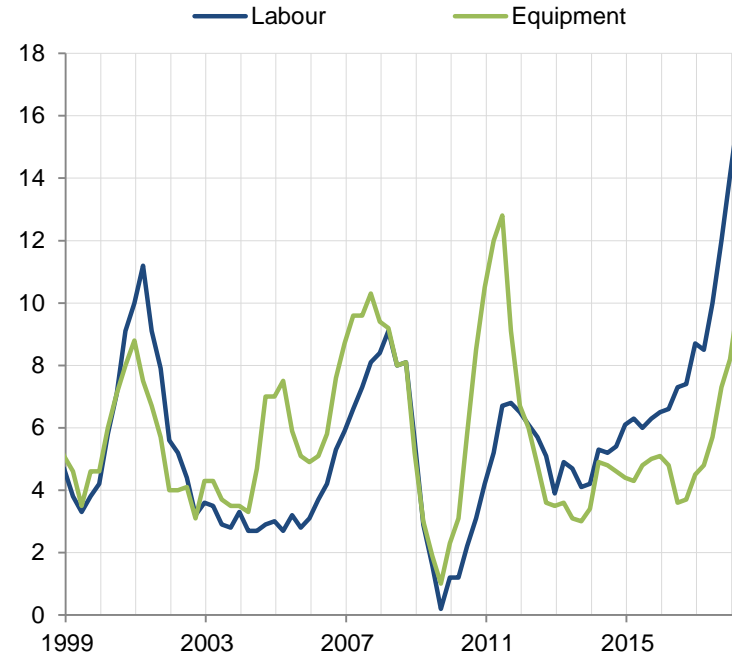
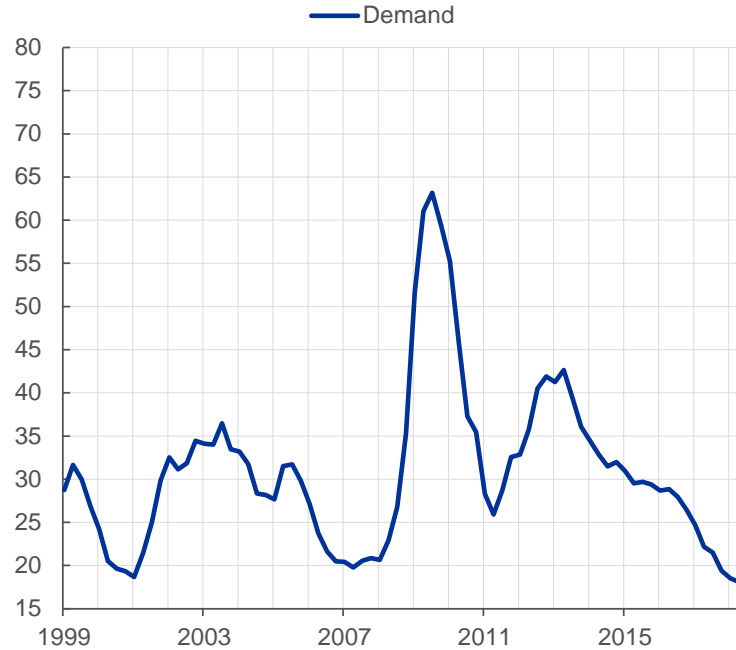
Sources: DG-ECFIN , ECB calculations.
Latest observation: 2018Q2.

Manufacturing PMI suppliers' delivery times (index 50=no change)



Sources: Markit, ECB calculations.
Note: A movement of the plotted index above 50 means delivery times have lengthened on average. Latest observation: May 2018.

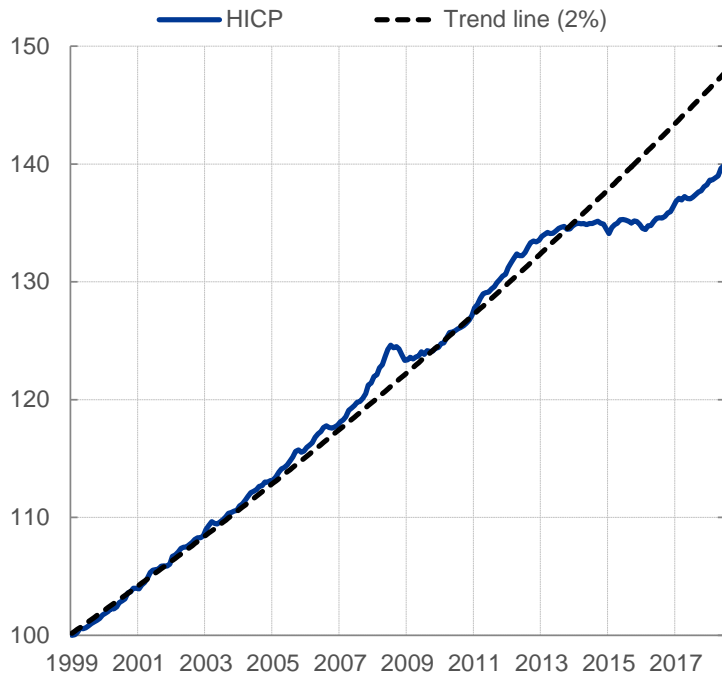
Factors limiting production in the manufacturing sector (percentage of firms)



Source: DG-ECFIN.
Latest observation: 2018Q2.

Price level

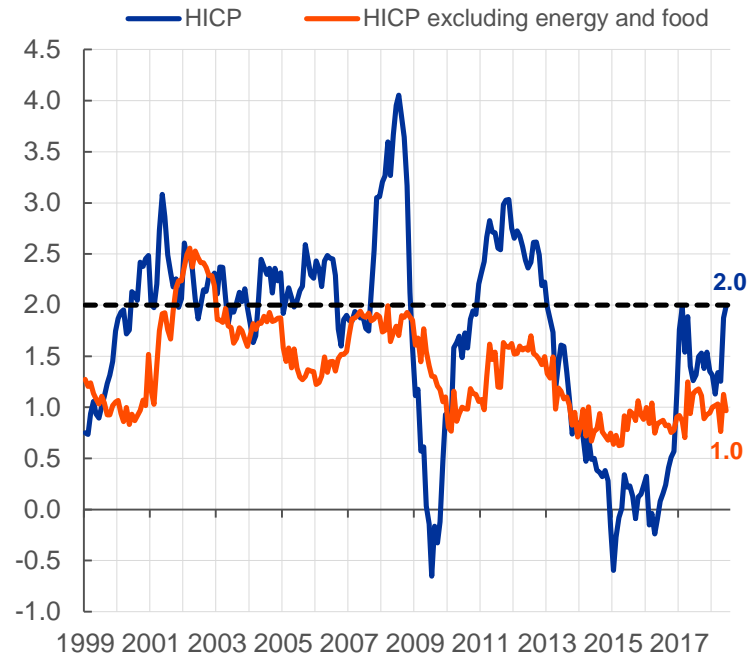
(1999m1=100, trend = year-on-year inflation at 2%)



Sources: Eurostat and ECB calculations.
Latest observations: June 2018 (flash estimates)

HICP and HICP excluding energy and food

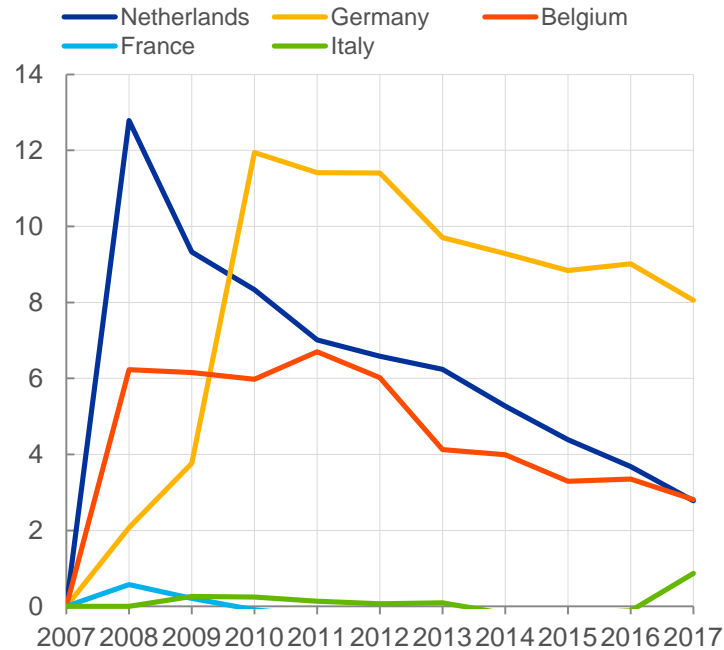
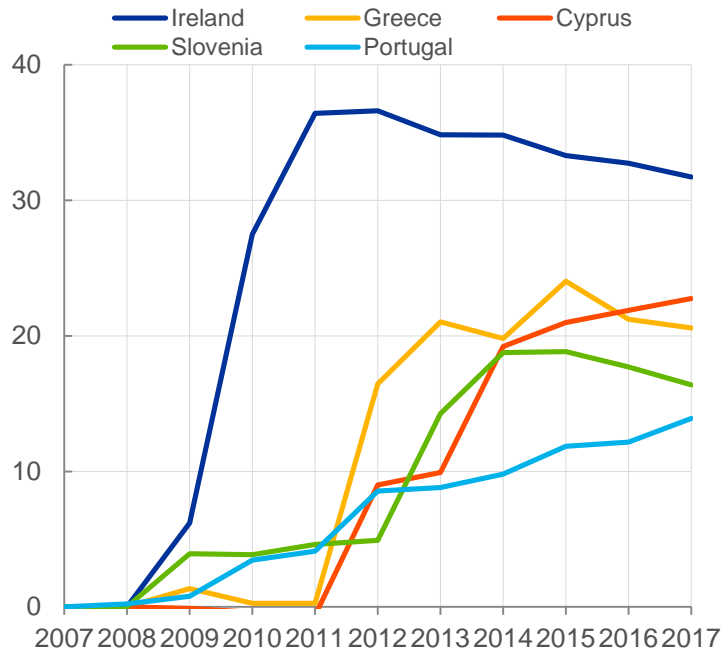
(annual percentage changes)



Source: Eurostat.
Latest observation: June 2018 (flash estimates)

Assistance to financial sector 2007-2017: impact on debt

(in percent of GDP)

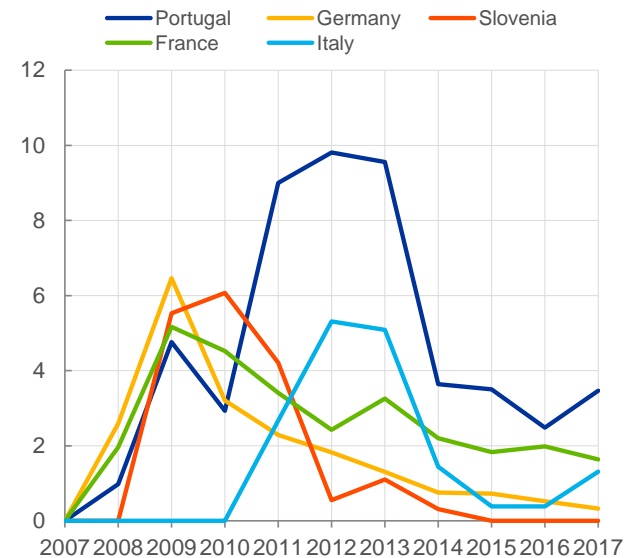
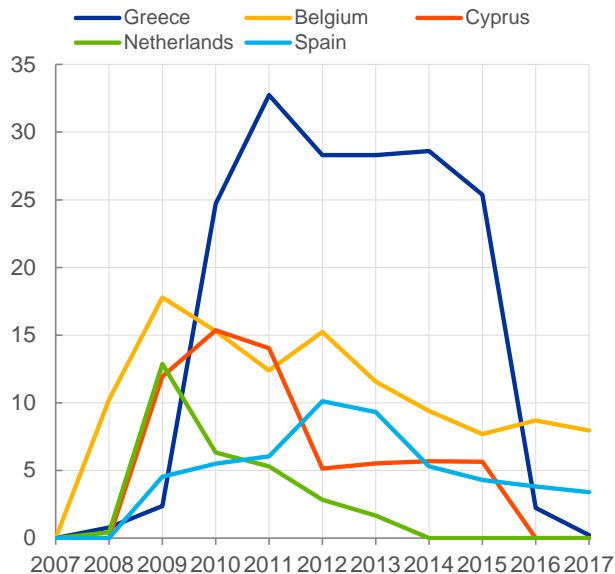
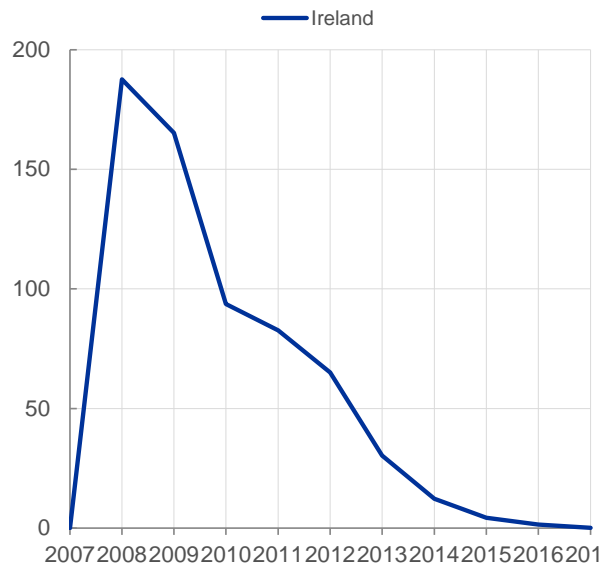


Source: GAFS.

Note: Countries from IE to BE sorted by historical peak size.

Assistance to financial sector 2007-2017: contingent liabilities

(in percent of GDP)



Source: GAFS.

Note: Countries sorted by historical peak size.

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

Criteria for sustained adjustment in the path of inflation (SAPI)

Convergence

- Headline inflation on course to reach levels below, but close to, 2% in the medium term

Confidence

- Sufficient confidence in durable stabilisation of inflation around these levels

Resilience

- Resilience of inflation convergence even after the end of net asset purchases.

The ECB's previous 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
- 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

The ECB's current forward guidance

Key ECB interest rates

- expected to remain at present levels **at least through the summer of 2019**
- **and for as long as necessary to ensure evolution of inflation remains aligned with our current expectations of a sustained adjustment path**

Asset purchase programme (APP)

- **Anticipate reduction of monthly pace of net asset purchases of €30 billion to €15 billion at end-Sep 2018 and end net purchases at end-Dec 2018**
- 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