



EUROPEAN CENTRAL BANK

EUROSYSTEM

Reassessing monetary policy tools in a volatile macroeconomic environment

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of the European Central Bank*

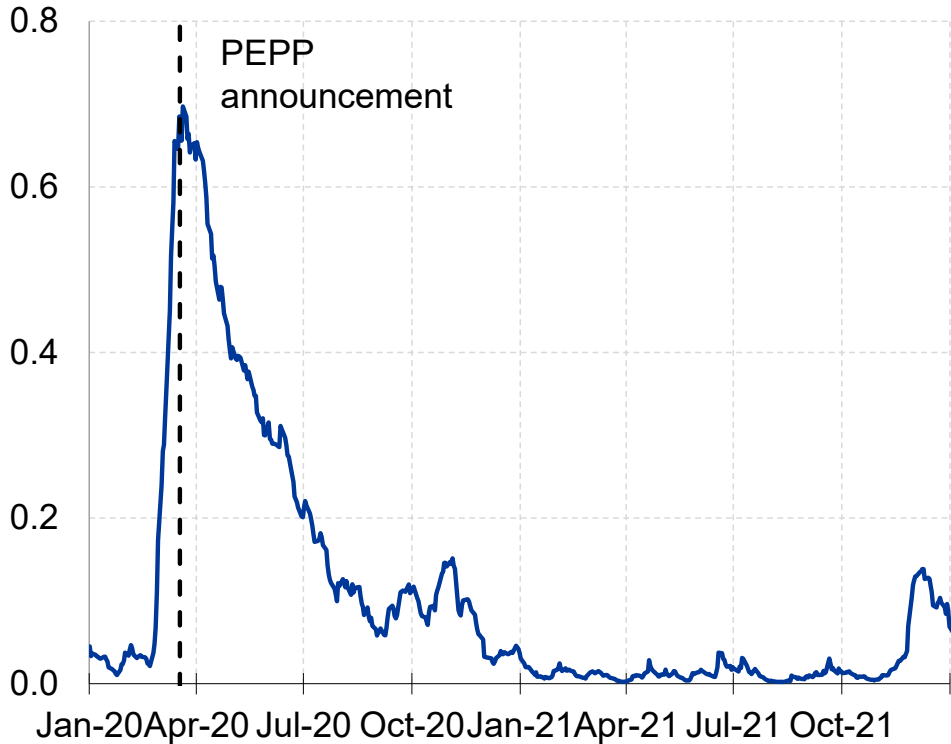


25th Jacques Polak Annual Research Conference
Washington, D.C., 14 November 2024

Asset purchases can stabilise financial markets through short-lived interventions

Composite Indicator of Systemic Stress (CISS)

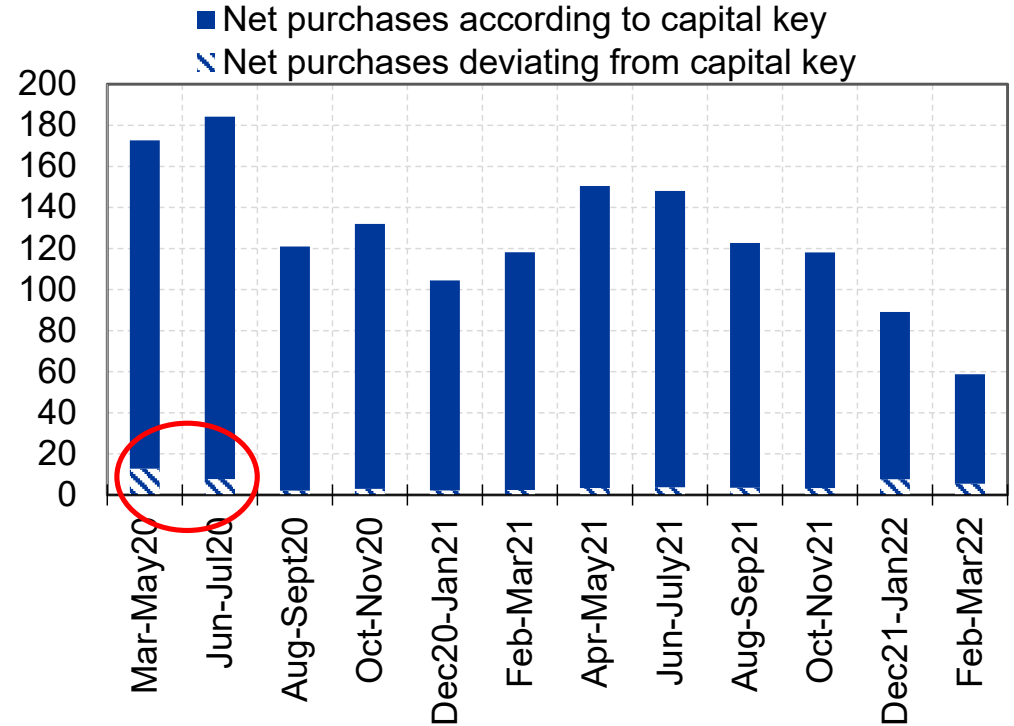
(0 = no stress, 1 = high stress)



Source: ECB.
Observation period: January 2020 – December 2021.

PEPP public sector purchases and capital key deviations

(EUR bn)

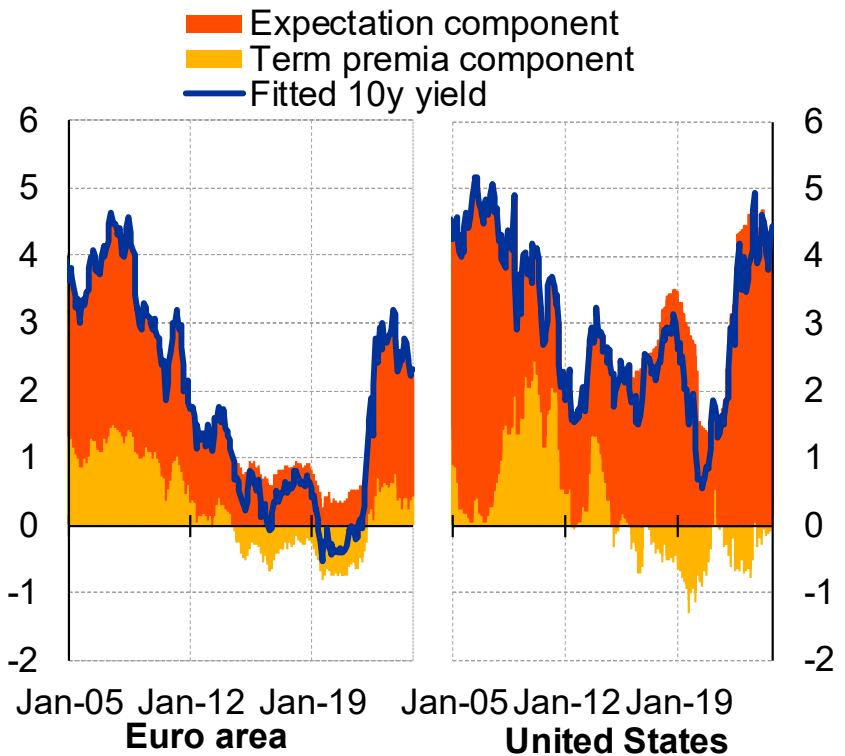


Sources: ECB website and ECB calculations.
Notes: Bimonthly PEPP public sector net purchases excluding supranational bonds. The solid blue part of bars represents the part of net purchases that were conducted according to capital key. The dashed part at the bottom of bars represents the part of net purchases that deviated from capital key.

Compressed term and risk premia imply more muted impact on financial conditions

Decomposition of 10-year spot rates into expected rates and term premia

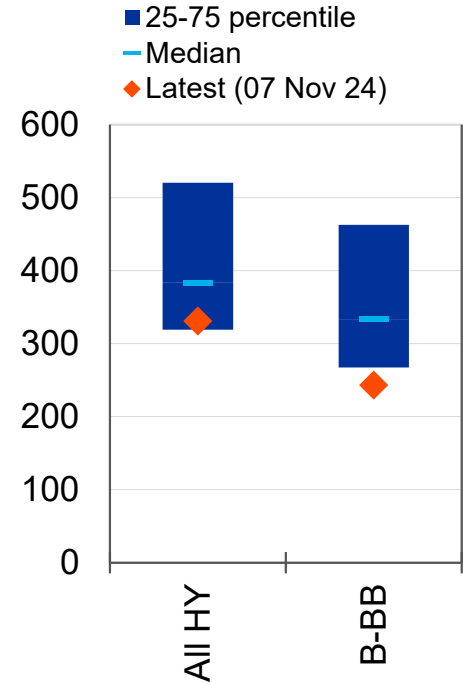
(percentages per annum)



Sources: Bloomberg and ECB calculations.
 Notes: Model estimates for euro area are based on two affine term structure models, one with and one without survey information on interest rate expectations (both variations of Joslin, Singleton and Zhu (2011)), and a lower bound term structure model following Geiger and Schupp (2018) incorporating survey information on interest rates expectations. Model estimates for the United States are based on the Adrian Crump and Moench (2013).
 Latest observation: November 2024 (monthly data).

Corporate bond spreads

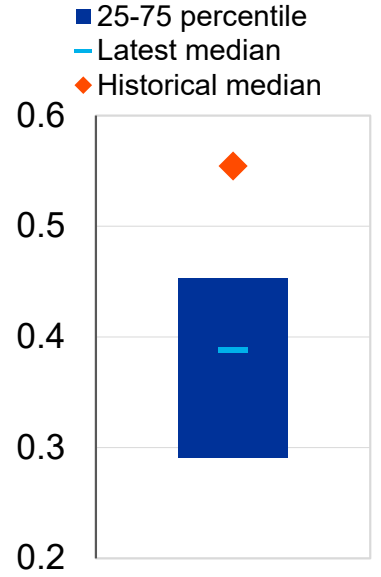
(basis points)



Sources: ICE, Moody's, Compustat and ECB calculations.
 Notes: Distribution of market capitalisation-weighted option-adjusted swap spreads over the period 31 January 2000 to latest within selected rating categories of the bonds in the ICE BofA Global Corporate & High Yield Index.
 Latest observation: November 2024 (monthly data).

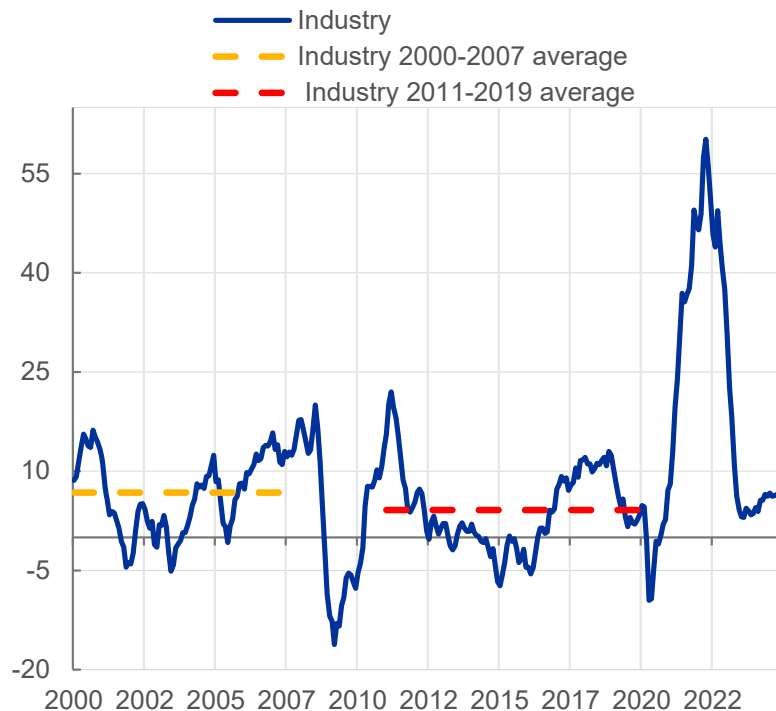
Changes in financial conditions scaled by rate hikes

(advanced economies, index points)



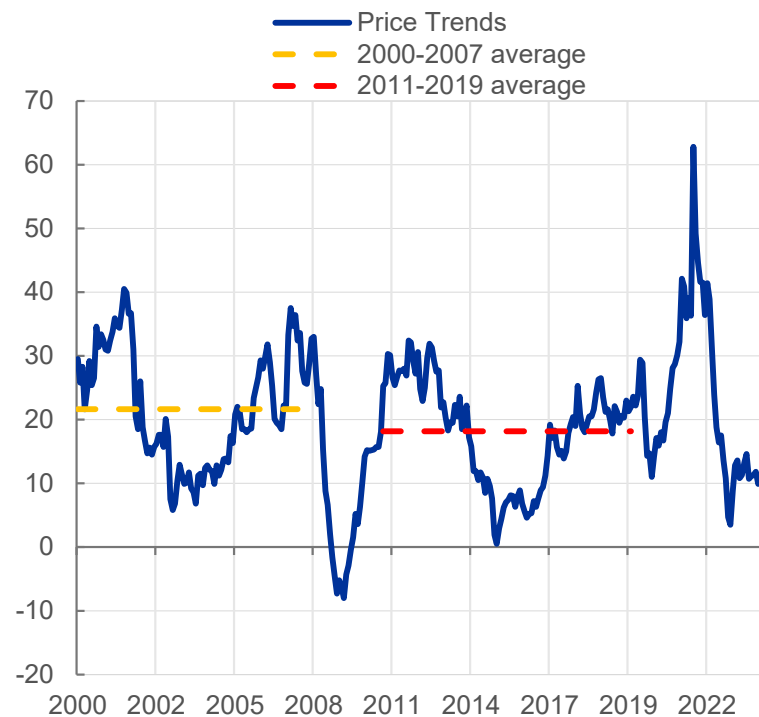
Sources: BIS calculations.
 Notes: Maximum change in Goldman Sachs Financial Conditions index for 18 advanced economies (GDP-weighted) throughout tightening episodes, divided by corresponding policy rate increase. Historical episodes since 1980. Latest episode: 2020–22.
www.ecb.europa.eu

Industrial firms' selling price expectations (percentage balances)



Source: European Commission/Haver Analytics.
Notes: Selling price expectations for the 3 months ahead series are seasonally adjusted. Percentage balance equals percent of respondents reporting an increase minus the percent of respondents reporting a decrease.
Latest observation: October 2024.

Consumer's opinion on price trends over next 12 months (percentage balances)



Source: European Commission/Haver Analytics.
Notes: Consumer price expectations for the next 12 months series are seasonally adjusted. Percentage balance equals percent of respondents reporting an increase minus the percent of respondents reporting a decrease.
Latest observation: October 2024.

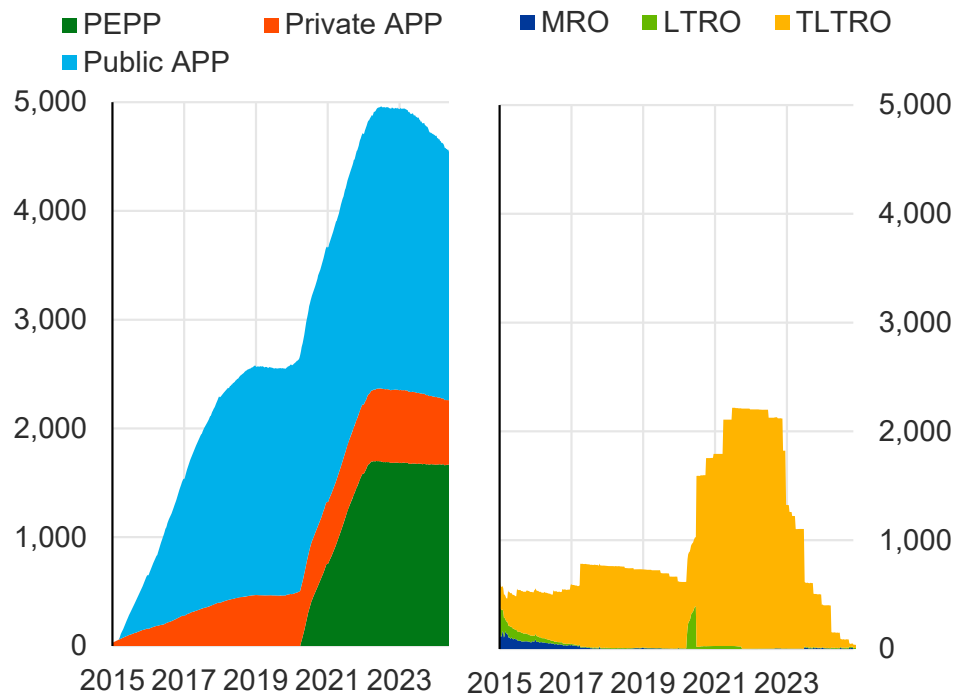
Unlike QE, TLTROs could be unwound quickly; forward guidance slowed policy reaction

Monetary policy assets

(EUR billion)

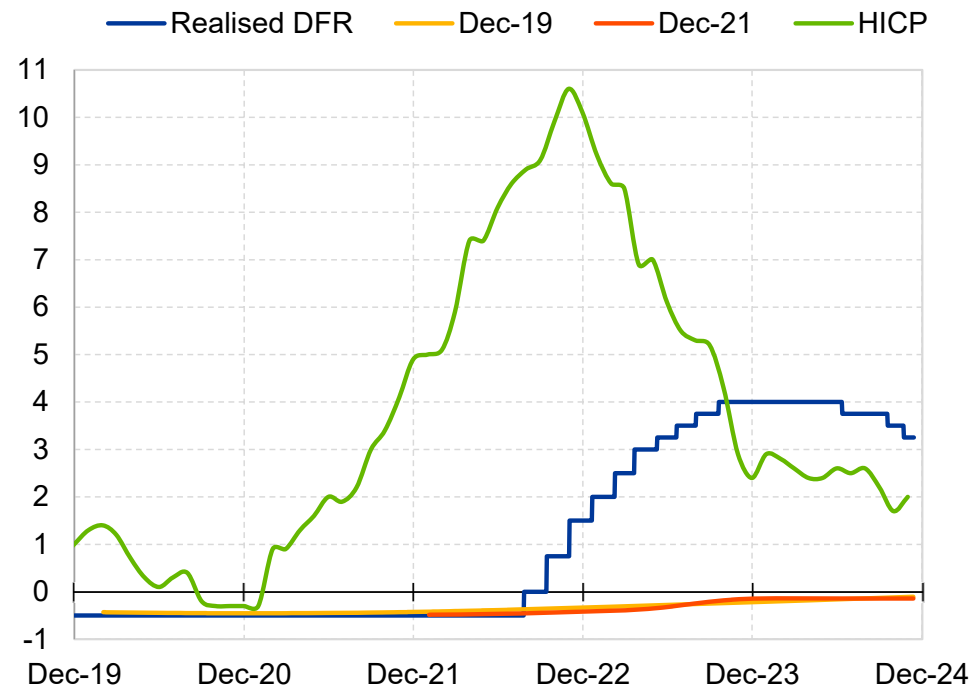
Bond portfolio

Refinancing operations



Euro forward OIS curve, realised DFR and HICP inflation

(percent, annual percentage changes)



Source: ECB.
 Notes: Public APP is PSPP, Private APP is CBPP3, ABSPP and CSPP.
 Latest observation: November 2024.

Sources: Bloomberg and ECB calculations.
 Notes: Chart refers to realised and forward deposit facility rate (DFR) levels. Yellow and red lines refer to the forward curves in December 2019 and 2021, respectively.
 Latest observation: November 2024 (October 2024 for HICP).

Thank you very much for your attention!