

Press Release

Zurich, 10 March 2022, 5.30 p.m.

KOF Monetary Policy Communicator for the Euro Area

The KOF MPC figure for 10 March 2022 is 0.26. At today's meeting, the ECB's Governing Council communicated that it sees an increased likelihood of inflation stabilising at the inflation target over the medium term.

The Governing Council changed the purchase schedule for its asset purchase programme (APP). Monthly net purchases under the APP will amount to €40 billion in April, €30 billion in May and €20 billion in June. Net purchases for the third quarter will be based on the future outlook for inflation.

According to Eurostat, Euro area annual HICP inflation was 5.8% in February up from 5.1% in January. This increase was primarily caused by higher energy prices, which also drive up inflation in many sectors. Food prices have also increased reflecting seasonal factors, elevated transportation costs and higher prices for fertilisers. There will be further price pressures for some food and commodity prices owing to the war in Ukraine. Price increases have become more widespread, but wage growth remains muted. This development is reflected in an upward revision of the ECB's inflation projections: Eurosystem staff projections foresee inflation at 5.1% in 2022, 2.1% in 2023 and 1.9% in 2024. Longer-term inflation expectations have moved to two per cent helping headline inflation to settle durably at the ECB's target when the economy returns to full capacity.

The war in Ukraine is a substantial upside risk for near term inflation. If price pressures feed through into higher wage rises or more severe supply-side restrictions, medium term inflation could also be higher. However, if demand were to weaken over the medium term, this could also lower pressures on prices.

Recent Developments

Date	KOF MPC	RDF*
22 Jul 2021	0.24	-0.50
09 Sep 2021	0.39	-0.50
28 Oct 2021	0.19	-0.50
16 Dec 2021	-0.03	-0.50
03 Feb 2022	0.15	-0.50
10 Mar 2022	0.26	-0.50

*ECB Rate on the Deposit Facility

KOF MPC and ECB Main Refinancing Rate

