

Press Release

Zurich, 12 September 2019, 5.30 p.m.

KOF Monetary Policy Communicator for the Euro Area

The KOF MPC figure for 12 September 2019 is -0.15. The ECB communicated a continued shortfall of inflation with respect to the ECB's aim.

At today's meeting, the ECB's Governing Council decided to lower the interest rate on the deposit facility by 10 basis points. In addition, the council introduced a two-tier system for reserve remuneration in which part of banks' holdings of excess liquidity will be exempt from the negative deposit facility rate. The ECB now expects the key ECB interest rates to remain at their present or lower levels until the inflation outlook has robustly converged to the ECB's aim. The Governing Council also decided to restart its asset purchase programme (APP) at a monthly pace of €20 billion. They also announced new modalities of the targeted longer-term refinancing operations (TLRO III).

According to Eurostat's flash estimate, Euro area annual HICP inflation was 1.0% in August 2019, unchanged from July. Headline inflation is expected to decline in the coming months before rising again towards the end of the year. Measures of underlying inflation remain muted and indicators of inflation expectations stand at low levels. Compared to the economic projections from June, the inflation outlook is revised down over the whole forecast horizon. Eurosystem staff macroeconomic projections foresee inflation at 1.2% in 2019, 1.0% in 2020 and 1.5% in 2021 (June 2018 projections 1.3% in 2019, 1.4% in 2020 and 1.6% in 2021). The Governing Council decided to respond to the continued shortfall of inflation with respect to the ECB's aim.

Recent Developments

Date	KOF MPC	RDF*
24 Jan 2019	0.20	-0.40
07 Mar 2019	0.03	-0.40
10 Apr 2019	0.31	-0.40
06 Jun 2019	0.44	-0.40
25 Jul 2019	0.15	-0.40
12 Sep 2019	-0.15	-0.50

*ECB Rate on the Deposit Facility

KOF MPC and ECB Main Refinancing Rate

