

Press Release

Zurich, 12 March 2020, 5.30 p.m.

KOF Monetary Policy Communicator for the Euro Area

The KOF MPC figure for 12 March 2020 is 0.21. As a response to the coronavirus (COVID-19) shock, the ECB decided on a comprehensive package of monetary policy measures.

The measures decided today are aimed to support households and firms in the face of the current economic disruptions and heightened uncertainty. First, the Governing Council decided to conduct, temporarily, additional longer-term refinancing operations (LTROs) to provide immediate liquidity support at favorable conditions. The Governing Council also introduced a temporary envelope of additional net asset purchases of €120 billion until the end of the year, which is supposed to support favourable financing conditions for the real economy. At the same time, key ECB interest rates were unchanged.

According to Eurostat's flash estimate, Euro area annual HICP inflation was 1.2% in February 2020, down from 1.4% in January. Headline inflation is expected to decrease considerably in the coming months because of the sharp decline in oil prices. Weaker growth momentum is delaying the pass-through from tighter labour markets to inflation. Compared to the economic projections from December, the inflation outlook is broadly unchanged, but does not reflect all recent developments. Eurosystem staff macroeconomic projections still foresee inflation at 1.2% in 2019, 1.1% in 2020, 1.4% in 2021 and 1.6% in 2022. However, the implications of the coronavirus for the inflation outlook are highly uncertain. Downward pressures linked to weaker demand may be offset by upward pressures related to supply disruptions. The recent sharp decline in oil prices poses significant downside risks to the short-term inflation outlook.

Recent Developments

Date	KOF MPC	RDF*
25 Jul 2019	0.15	-0.40
12 Sep 2019	-0.15	-0.50
24 Oct 2019	0.21	-0.50
12 Dec 2019	0.25	-0.50
23 Jan 2020	0.32	-0.50
12 Mar 2020	0.21	-0.50

*ECB Rate on the Deposit Facility

KOF MPC and ECB Main Refinancing Rate

