

Press Release

Zurich, 22 July 2021, 5.30 p.m.

KOF Monetary Policy Communicator for the Euro Area

The KOF MPC figure for 22 July 2021 is 0.24. At today's meeting, the ECB's Governing Council has underlined its commitment to maintain a persistently accommodative monetary policy stance to meet the ECB's inflation target.

At today's meeting, the Governing Council decided to keep the key ECB interest rates unchanged and to adjust its forward guidance. The ECB now expects the key ECB interest rates to remain at their present or lower levels until inflation reaches two per cent well ahead of the end of the ECB's projection horizon and durably for the rest of the projection horizon, and the Governing Council judges that realised progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at two per cent over the medium term.

According to Eurostat, Euro area annual HICP inflation was 1.9% in June. The current increase is mainly due to higher energy prices, base effects from the sharp fall in oil prices at the start of the pandemic and the impact of the temporary VAT reduction in Germany last year. The ECB expects headline inflation in the coming months to increase. Next year inflation is expected to decline again as these factors fall out of the year-on-year inflation calculation. Although stronger demand and temporary bottlenecks in the supply chain will tend to increase prices, significant slack in the economy is holding back underlying inflationary pressures. Overall, underlying inflation is still expected to remain subdued reflecting low wage growth and the past appreciation of the euro.

Recent Developments

Date	KOF MPC	RDF*
10 Dec 2020	-0.21	-0.50
21 Jan 2021	0.00	-0.50
11 Mar 2021	0.14	-0.50
22 Apr 2021	-0.07	-0.50
10 Jun 2021	-0.34	-0.50
22 Jul 2021	0.24	-0.50

*ECB Rate on the Deposit Facility

KOF MPC and ECB Main Refinancing Rate

