

Press Release

Zurich, 14 December 2023, 5.30 pm

KOF Monetary Policy Communicator for the Euro Area

The KOF MPC figure for 14 December 2023 is 0.00. At today’s meeting, the ECB’s Governing Council decided to keep the three key ECB interest rates unchanged.

Alongside its decision to keep the three key ECB interest rates unchanged, the Governing Council decided to continue the normalization of the Eurosystem’s balance sheet. In the first half of 2024, it will continue to reinvest in full the principal payments from maturing securities purchased under the pandemic emergency purchase programme (PEPP). In the second half of 2024, a reduction of the PEPP portfolio should take place and the reinvestments under the PEPP discontinued at the end of that year. The Governing Council further noted that despite lower inflation readings in recent months, inflation is likely to increase again, at least temporarily, in the near term.

Annual HICP inflation in the euro area has declined to 2.4% in November, by almost two full percentage points compared to September. This decrease was broad-based, with both energy and food price inflation coming down. Inflation excluding energy and food fell to 3.6% in November, a reduction by almost a full percentage point over the past two months. Goods and services inflation rates declined to 2.9% and 4.0% respectively. For the month of December, inflation is expected to increase due to an upward base effect for the cost of energy. Despite improving supply conditions and the impact of tighter monetary policy on demand as well as on the pricing power of firms, domestic price pressures remain high. These elevated price pressures are mostly due to falling productivity and strong wage growth. Most measures of longer-term inflation expectations currently stand at around 2%, with a decline for some market-based indicators of inflation compensation being observed.

Recent Developments

Date	KOF MPC	MRF*
04 May 2023	0.19	3.75
15 Jun 2023	0.06	4.00
27 Jul 2023	0.25	4.25
14 Sep 2023	0.09	4.50
26 Oct 2023	0.29	4.50
14 Dec 2023	0.00	4.50

*ECB Main Refinancing Rate

KOF MPC and ECB Main Refinancing Rate

