

## ECB decision: New format, same content

This was a bit like old wine in a new bottle; the communication has changed somewhat but in terms of substance the ECB remains very dovish, putting a cap on any tapering speculations



With the announcement of the revised strategy and the new definition of the inflation target, the ECB had given the impression of making a turn towards even more dovishness.

A benign take on inflation and expecting headline inflation to average 1.4% in 2023 should have been enough reason to become more dovish. And, indeed, to some extent, the just-released “refurbished” statement on the ECB’s policy decisions is a shift towards more dovishness.

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*There were two remarkable decisions: the decision to stick to the front-loading of asset purchases and changes to the forward guidance on interest rates.*

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The decision to continue with asset purchase front-loading implies that there will either be significant tapering in the fourth quarter or that the envelope could be increased, pushing an end

of the Pandemic Purchase Programme (PEPP) beyond March 2022. Forward guidance on interest rates was tied even closer to the ECB's inflation outlook, saying that rates would remain at their present or lower levels until the ECB "sees inflation reaching two per cent well ahead of the end of its projection horizon and durably for the rest of the projection horizon, and it judges that realised progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at two per cent over the medium term.

This may also imply a transitory period in which inflation is moderately above target" - a clear message that rates will remain low for even longer.

Let's wait until the press conference starting at 2.30pm CET to see whether the ECB is actually willing to step up its efforts to bring inflation back to target, pushing out any tapering speculations into a very distant future, or whether somewhat less monetary stimulus could still become a possibility.

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