

## CENTRAL BANKS

## ECB Minutes: 21 April meeting

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- The GC agreed that there was no need to consider any change in its current monetary policy stance
- The ECB strongly reiterated the need for other policy areas to contribute to euro area economic recovery

The ECB released the monetary policy accounts of its 21 April meeting. The minutes confirm that the Governing Council (GC) was unanimous in its commitment to deliver on its mandate and on the appropriateness of the accommodative monetary policy stance. The accounts also revealed that participants widely shared the view that there was no need to change the current monetary policy stance, emphasising that the key is to focus on the implementation of the latest measures.

On the economic outlook, GC participants were in broad agreement that the ongoing moderate recovery could be expected to proceed. However, GC members generally agreed that while risks to the economic recovery had moderated somewhat, they still remain tilted to the downside. Meanwhile on inflation, the accounts revealed there are concerns on the decoupling of inflation expectations from oil prices, as despite the stabilisation of the latter, market-based inflation expectations had not picked up from their low levels. Moreover, there was broad agreement that “while euro area inflation was expected to pick up, it was crucial to ensure that the very low inflation environment did not become entrenched via second-round effects on wage and price setting.” In this context, GC members reiterate, without any doubt, their commitment “to bringing inflation back to target without delay and sticking to their forward guidance.”

The minutes stated that there was broad agreement among GC members that monetary policy measures in place were being effective and “there were grounds for cautious optimism about the economy..., “but patience was needed for the measures to fully unfold over time in terms of output and inflation.” In this context, GC members agreed that there was no reason to reconsider the current monetary policy stance or to modify any of the characteristics of the monetary policy programmes in place, stressing that the focus is on the implementation of the additional measures decided in March.

The accounts showed that GC members strongly reiterated the need for other policy areas to contribute to euro area economic recovery, with the aim of reaping the benefits of the ECB’s monetary policy measures. In response to Germany’s recent criticism, participants considered it important to reaffirm “collectively the independence of the ECB in the pursuit of its mandate.” Against this background, there was general agreement that “there was a need to counter the perception that monetary policy could no longer contribute to a return of inflation” to the ECB’s target.

All in all, the details of the April meeting minutes confirm the ECB’s pledge to maintain a steady monetary policy course. At the June monetary policy meeting the ECB is expected to remain on hold and to retain its dovish communication, as they have been repeating for a long time that they are committed to further stimulus if needed. With the current degree of expansionary monetary policy stance, the ECB has less and less margin for manoeuvre while, as the minutes stressed, monetary policy measures should be accompanied by the interaction of various policy domains.

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