



Governing Council meeting, ECB. 11/3/2021.

ECB to increase its asset purchases

On 11th March, the European Central Bank announced that it would continue with the €1,850b. Pandemic Emergency Purchase Programme (PEPP) until at least the end of March 2022, or until it judges that the coronavirus crisis phase is over. No new monetary initiatives were announced, but the Governing Council announced that it would step up the purchase of assets. Although it has committed to this huge amount, having raised the total it planned to purchase from €1,350b. to €1,850b in December, it has not actually been buying that many assets recently. It intends, however to redress this in the coming months and a run-off of the purchases will be considered until at least the start of 2024.

In the press conference following the meeting, ECB President Christine Lagarde acknowledged - for the first time - that there could be an "increase in inflation over the medium-term." Inflation was steady at 0.9% in the year to February, but economic activity across much of the Eurozone is still very subdued due to the ravages of the virus. However, with vaccines likely to bring the worst of the pandemic under control later in the spring or in the summer, inflation is likely soon to pick up, exceeding the ECB's target of 2% or just below. Mme Lagarde's statement made no mention of the high level of broad money growth (M3), which rose by 10.7% in the three months to January (*), which suggests that this tentative admission of the prospect of inflation does not truly recognise the likely scale of the problem in the coming months.

You can access further details on the latest monetary developments in the Eurozone in our latest monthly report and video at <https://mv-pt.org/monthly-monetary-update/> .

Note (*): M3 grew 9.7% in the three months to February 2021.