

Press release

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ECB launches review of its monetary policy strategy

- Review will encompass quantitative formulation of price stability, monetary policy toolkit, economic and monetary analyses and communication practices
- Other considerations, such as financial stability, employment and environmental sustainability, will also be part of review
- Expected to be concluded by end of 2020
- Review will be based on thorough analysis and open minds, engaging with all stakeholders

The Governing Council of the European Central Bank (ECB) today launched a review of its monetary policy strategy. The monetary policy strategy was adopted in 1998 and some of its elements were clarified in 2003.

Since 2003 the euro area and the world economy have been undergoing profound structural changes. Declining trend growth, on the back of slowing productivity and an ageing population, as well as the legacy of the financial crisis, have driven interest rates down, reducing the scope for the ECB and other central banks to ease monetary policy by conventional instruments in the face of adverse cyclical developments. In addition, addressing low inflation is different from the historical challenge of addressing high inflation. The threat to environmental sustainability, rapid digitalisation, globalisation and evolving financial structures have further transformed the environment in which monetary policy operates, including the dynamics of inflation.

In the light of these challenges, the Governing Council has decided to launch a review of its monetary policy strategy, in full respect of the ECB's price stability mandate as enshrined in the Treaty.

"As our economies are undergoing profound changes, it is the time for a strategy review to ensure we deliver on our mandate in the best interest of Europeans," said ECB President Christine Lagarde.

The Governing Council will take stock of how the monetary policy strategy has supported the fulfilment of the ECB's mandate under the Treaty over the years and consider whether any elements of the

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strategy need to be adjusted. The quantitative formulation of price stability, together with the approaches and instruments by which price stability is achieved, will figure prominently in this exercise. The review will also take into account how other considerations, such as financial stability, employment and environmental sustainability, can be relevant in pursuing the ECB's mandate. The Governing Council will review the effectiveness and the potential side effects of the monetary policy toolkit developed over the past decade. It will examine how the economic and monetary analyses through which the ECB assesses the risks to price stability should be updated, also in view of ongoing and new trends. Finally, it will review its communication practices.

The process is expected to be concluded by the end of the year. The Governing Council will be guided by two principles: thorough analysis and open minds. Accordingly, the Eurosystem will engage with all stakeholders.

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