

Meeting of 21-22 April 2021

Account of the monetary policy meeting of the Governing Council of the European Central Bank held in Frankfurt am Main on Wednesday and Thursday, 21-22 April 2021

1. Review of financial, economic and monetary developments and policy options

Financial market developments

Ms Schnabel reviewed the financial market developments since the Governing Council's previous monetary policy meeting on 10-11 March 2021.

Euro area government bond yields had decoupled from US Treasury yields – which had continued to increase in the course of March 2021 before retreating somewhat in April – and had remained broadly unchanged since late February 2021. In part, this reflected the renewed rise in coronavirus (COVID-19) infections and the tightening of lockdowns in the euro area, which had affected near-term growth expectations. However, it also reflected the impact of the Governing Council's monetary policy decisions in March and the preceding communication, convincing markets of the ECB's determination to maintain favourable financing conditions. The ECB's recent measures had been effective in shielding euro area long-term rates from spillovers, with regard to both the risk-free yield curve and sovereign spreads.

A decomposition of the euro area ten-year overnight index swap rate into inflation and real components showed that nominal rates and their underlying components had remained broadly unchanged since the Governing Council's previous monetary policy meeting. Since the start of 2021, the observed synchronised pick-up in market-based measures of longer-term inflation compensation across advanced economies likely reflected optimism regarding global growth.

Model estimates suggested that the bulk of the increase in the inflation component was driven by inflation risk premia, and hence did not yet reflect a significant increase in investors' genuine inflation expectations. In contrast to the inflation component, long-term real rates in the euro area had remained broadly unchanged since the start of 2021. This was also the case for medium-term real rates, which were particularly relevant for borrowing conditions for firms and which had remained at or close to

historical lows throughout the recent global bond market sell-off. This suggested that the ECB's measures had been effective in insulating not only longer-term sovereign bond yields but equally – or even more so – the short to medium end of the yield curve.

In a similar vein, interest rate expectations over the next two years had remained unchanged since the Governing Council's monetary policy meeting in January 2021. Markets were not pricing in any changes in the deposit facility rate until the first quarter of 2024. Rate expectations remained well anchored by the ECB's forward guidance.

Other asset prices served as a cross-check of the recent drivers of financing and financial conditions. Credit spreads across rating classes had remained stable, and had even decreased for high-yield bonds. The growth-driven nature of the bond market sell-off and the ECB's accommodative monetary policy had thus kept a lid on corporate spreads.

The optimism regarding global growth had also been the key driver of stock markets. Supported by the accelerating roll-out of vaccines, strong global economic data and the further improvement in longer-term earnings growth expectations, stock prices had rallied beyond pre-pandemic levels in the euro area. However, this development masked significant cross-country heterogeneity. An important driver of this was the sectoral composition of countries' stock markets. Those with a large share of sectors that had benefited from the crisis had tended to outperform their peers during most of 2020, a trend that had reversed after the positive news on vaccines in November 2020.

However, the surge in the prices of risky assets also created risks, with high equity price valuations being seen as dependent on continuing highly accommodative interest rates. One indicator was the equity duration, the inverse of the dividend yield, which stood at the highest level since the dot-com bubble in both the United States and the euro area.

Overall, recent financial market developments had had a positive effect on financing and financial conditions in the euro area. Sovereign yields and spreads had remained compressed and stock prices had risen, while the euro exchange rate had appreciated only slightly.

The global environment and economic and monetary developments in the euro area

Mr Lane reviewed the global environment and the recent economic and monetary developments in the euro area.

A new wave of infections had hit economies around the globe. At the same time, the world had been learning to live with the pandemic, so the impact on output was more limited than in the first wave in spring last year. Overall, there were positive signals for the global recovery, which remained

investment-led, while consumption was lagging. The incoming data also pointed to a continued recovery in global trade, with goods trade surprising on the upside in January. Oil prices had remained essentially flat since the March monetary policy meeting. At the same time, the euro exchange rate, too, was basically flat, with the euro appreciating slightly both against the US dollar (1.2%) and in nominal effective terms (0.6%).

In the euro area economy, headwinds resulted from lockdowns, especially for services, while investment dynamics were supportive. Short-term indicators pointed to a recovery starting in the second quarter of 2021. Focusing on the latest developments, large asymmetries between industry and services prevailed. Manufacturing Purchasing Managers' Indices (PMIs) had been increasing for some time and showed very strong readings. There was also a strong recovery in services PMIs even though not quite into expansionary territory yet. Retail sales remained weak owing to new restrictions introduced to limit the spread of COVID-19.

The high level of containment measures had continued to delay the recovery in consumption, as consumers, surveyed for example by the European Commission, remained cautious. Indicators for major purchases expected in the coming 12 months, business retail sales expectations and orders for consumer goods had all improved but remained below pre-pandemic levels. Meanwhile, private investment continued to recover. While growth in construction investment had remained muted in the final quarter of 2020, the forward-looking indicators were positive, with business expectations and construction confidence all ticking upwards. Growth in both extra- and intra-euro area goods exports had steadily recovered from the lows recorded in the second quarter of 2020. Tourism, which owing to the pandemic was the sector most affected in services trade, showed early signs of picking up.

Labour market indicators continued to be heavily affected by government support programmes, which complicated the assessment of underlying developments. Unlike previous crises, the pandemic had disproportionately affected employment and average hours worked in "high-contact" market services sectors. Overall, the main labour market indicators were relatively stable, with the unemployment rate standing at 8.3% in February – broadly unchanged since November – despite the new wave of the pandemic and the associated lockdowns. However, high numbers of discouraged workers and people in job retention schemes pointed to continued vulnerabilities.

Turning to nominal developments, headline inflation had increased to 1.3% in March, driven primarily by a strong further increase in energy price inflation, reflecting predominantly base effects but also recent oil price dynamics. Temporary and technical factors had continued to play an important role for inflation, although the impact from changes in expenditure weights had diminished.

Focusing on the more persistent components of inflation, measures of underlying inflation continued to hover around levels seen in spring 2020 and did not provide a broad-based signal of a sustained

pick-up. Furthermore, statistical issues linked to the effects of weights, tax changes and imputations continued to imply some uncertainty about the direction of underlying inflation.

According to the latest ECB Survey of Professional Forecasters for the second quarter of 2021, headline inflation expectations had been revised up for 2021, while medium and longer-term expectations were by and large stable. Meanwhile, market-based measures of long-term inflation expectations continued to increase, with the five-year forward inflation-linked swap rate five years ahead standing at 1.53% on 19 April 2021, which was 8 basis points higher than at the time of the March monetary policy meeting.

Turning to financial conditions, long-term risk-free rates were broadly unchanged from the level prevailing at the time of the March meeting. Yield increases observed since the end of 2020 had been driven mainly by term premia and not by the expectations component. Equity and corporate bond markets were driven by expectations of an improving growth outlook. Overall, financial conditions remained broadly unchanged. Looking at policy rate expectations, the EONIA forward curve remained stable at the short end.

With respect to monetary developments, annual M3 growth had declined marginally in February but remained at a high level (12.3%). Firms and households had continued to accumulate deposits at a pace similar to previous quarters. Looking at the sources of money creation, Eurosystem asset purchases and bank loans to the non-financial private sector in February had remained at levels comparable to those seen in the second half of 2020. While volumes of lending to firms had increased marginally in February, the annual growth rate of bank loans to firms remained high (at 7.1% in February) only because it was still affected by the very large flows observed between March and May 2020. Bank lending rates for firms remained close to their historical lows..

According to the latest euro area bank lending survey, banks saw a further decline in demand for loans to firms, which was mainly explained by weakness in demand for the financing of investment and the fading of financing needs for working capital, reflecting the availability of liquidity buffers and direct government support. A moderate net percentage of banks had indicated a further tightening of credit standards in the first quarter of 2021, following two quarters of significantly more pronounced tightening. However, the tightening by banks was less than had been expected in the previous quarter. Credit standards for loans to households for house purchase had eased slightly in the first quarter of 2021 after four quarters of continued tightening, supported by competition among lenders.

With respect to fiscal policy, some countries had recently scaled up fiscal support in response to lockdown extensions. Across euro area countries, fiscal support was, on average, stronger in the more severely hit countries but with quite some heterogeneity across countries. Following a strong fiscal impulse in 2020, fiscal support was expected to remain sizeable in the euro area in 2021.

Monetary policy considerations and policy options

Summing up, Mr Lane remarked that the recovery in global demand and additional fiscal measures were supporting global and euro area activity. At the same time, setbacks in vaccination campaigns, together with persistently high rates of new coronavirus infections in several countries and the associated tightening of containment measures, were restricting economic activity in the short term. Overall, incoming information, including high-frequency indicators, indicated that economic activity was likely to have contracted again in the first quarter, but pointed to a resumption of growth in the second quarter. Progress with vaccination campaigns and the envisaged gradual relaxation of containment measures underpinned the expectation of a firm rebound in economic activity, especially in the second half of 2021.

Risks to the euro area growth outlook continued to be on the downside in the near term, but remained more balanced over the medium term. Upside risks stemmed from: better prospects for global demand, supported by sizeable fiscal stimulus; more rapid progress in vaccination campaigns; and a faster than expected reduction in household savings once social and travel restrictions were lifted. However, the new wave of the pandemic, including the spread of virus mutations, and a slower vaccine roll-out represented downside risks for the growth outlook over the coming quarters.

Headline inflation had risen to 1.3% in March from the 0.9% recorded in January and February, owing mainly to strong increases in energy price inflation. At the same time, underlying price pressures were subdued in the context of weak demand and significant slack in labour and product markets, but were expected to increase somewhat in 2021 owing to short-term supply constraints and the recovery in domestic demand. Inflation would exhibit some volatility for the remainder of the year. Survey-based measures and market-based indicators of longer-term inflation expectations remained at low levels compared with the ECB's inflation aim, although market-based indicators had continued to increase, mainly driven by higher inflation risk premia.

Amid continued robust risk sentiment in global financial markets, euro area financing conditions had remained broadly stable of late. In particular, risk-free rates and sovereign bond yields had moved sideways and appeared to have decoupled from the repricing in US interest rates. At the same time, the rise recorded earlier in the year in these key indicators in the upstream segment of the transmission chain still posed a risk to the wider set of financing conditions, which in turn warranted close monitoring.

Against this background, Mr Lane proposed that the Governing Council leave its prevailing monetary policy configuration unchanged and confirm its very accommodative monetary policy stance. Since the incoming information confirmed the joint assessment of financing conditions and the inflation outlook carried out at the March monetary policy meeting, the Governing Council should continue to conduct net asset purchases under the pandemic emergency purchase programme (PEPP) in the current quarter at a significantly higher pace than during the first few months of the year.

As regards external communication, two aspects were important. First, the Governing Council needed to reaffirm its current practice of conducting a comprehensive joint evaluation of the prevailing state of financing conditions against the inflation outlook at monetary policy meetings in which policy deliberations were informed by a new round of staff projections. In line with this practice, a new comprehensive joint assessment should be conducted at the next monetary policy meeting in June. Second, it was important to highlight that calibrating purchases under the PEPP so as to counter the adverse effects of the pandemic on the medium-term inflation outlook was only one element in achieving the aim of stabilising medium-term inflation around levels below, but close to, 2%. Ample monetary policy support remained crucial beyond the pandemic period in order to support inflation and return it to the inflation aim. The Governing Council therefore needed to continue to stand ready to adjust all of its instruments, as necessary, to fulfil its mandate.

2. Governing Council's discussion and monetary policy decisions

Economic and monetary analyses

With regard to the economic analysis, members generally agreed with the assessment of the current economic situation in the euro area and the risks for activity provided by Mr Lane in his introduction. While the recovery in global demand and the sizeable fiscal stimulus were supporting global and euro area activity, the near-term economic outlook remained clouded by uncertainty about the resurgence of the pandemic and the roll-out of vaccination campaigns. Looking ahead, progress with vaccination campaigns and the envisaged gradual relaxation of containment measures underpinned the expectation of a firm rebound in economic activity in the course of 2021. Inflation had picked up over recent months on account of some idiosyncratic and temporary factors and an increase in energy price inflation. At the same time, underlying price pressures remained subdued in the context of significant economic slack and still weak demand.

As regards the external environment, members broadly shared the assessment by Mr Lane that the global economic outlook continued to improve despite the new wave of infections occurring worldwide. Reference was made to recent forecasts from international institutions. Notably, in its April 2021 World Economic Outlook, for 2021 the IMF had revised its expectations for global growth up to 6% and had projected world trade to rise by over 8%. Attention was drawn, in particular, to positive news regarding economic developments in the United States and to the further growth recorded in China at the beginning of the year, reflecting an exceptional recovery since the start of the pandemic a year earlier. With respect to the latest exchange rate developments, it was noted that the euro had appreciated

slightly since the Governing Council's last monetary policy meeting. It was underlined that a further appreciation of the exchange rate could have adverse implications for the inflation outlook.

Turning to euro area developments, real GDP had declined by 0.7% in the fourth quarter of 2020, remaining well below its pre-pandemic level. Incoming economic data, surveys and high-frequency indicators suggested that the resurgence of the pandemic and the associated intensification of containment measures might have led to a decline in activity in the first quarter of 2021, but they also pointed to a resumption of growth in the second quarter.

In discussing the economic outlook for the euro area, members judged that, although the current situation remained fragile and subject to a high degree of uncertainty, recent data could overall be seen as confirming that GDP growth was broadly in line with the March 2021 ECB staff macroeconomic projections for the euro area. This assessment was also supported by the latest IMF and OECD forecasts. There had been a rise in infection rates, particularly among young people, a delay in the roll-out of vaccination campaigns and some concerns about the safety of vaccines. A prolongation of containment measures had acted as a drag on growth in the first quarter of the year, but there was also good news in that vaccination campaigns were now gaining momentum in the euro area, which could be expected to lead to a gradual easing of lockdown measures. This would, in particular, support the recovery in the services sector, which had been the sector most affected by the crisis. It was also encouraging that evidence of the efficiency of the vaccination campaigns was becoming stronger and that the share of the population that had received a first or even second dose was increasing more rapidly. The learning behaviour of households and firms in response to restrictions during the pandemic was considered to be another positive factor supporting growth.

However, it was also underlined that the outlook continued to depend on how quickly the vaccination campaigns proceeded, as well as on the spread and transmission of different variants of the COVID-19 virus. Uncertainty about both the timing and the strength of the recovery in the euro area remained, with some grounds for caution as evidenced by the sequence of downward revisions to the growth rate expected for the first quarter of the year. It was also stressed that the outlook for both growth and inflation remained dependent on the support of fiscal policy measures and the very accommodative monetary policy stance. Moreover, it was pointed out that the impact of the pandemic differed across countries in the euro area. While in some countries activity was expected to return to pre-pandemic levels by the end of 2021, in others – especially those in which the services sector had been most affected – it was expected still to be below the pre-pandemic level at the end of 2022.

Members generally expected a stronger recovery to take place in the second half of 2021 but emphasised that uncertainty surrounding the near-term growth outlook remained high. A key question was how consumers would respond to an easing of lockdown measures. It was recalled that the March 2021 ECB staff projections exercise had been based on the assumption that the household saving ratio

would gradually return to its pre-crisis level and that there would not be any substantial unwinding of the excess savings that had been accumulated during the pandemic.

In assessing the risks to growth, a range of views was advanced concerning the likely behaviour of consumers. It was suggested that forced savings might unwind more dynamically than expected. A one-off boost to consumption later in the year was considered a possibility, based on previous observations, when higher consumption had followed lower infection rates and an easing of restrictions last summer. Still, it was also possible that the boost to consumption from pent-up demand might unfold more gradually. At the same time, it was argued that consumers might prove to be more cautious in their spending this year.

Against this background, it was generally felt that risks to activity had become more balanced over the medium-term horizon, with a view also being expressed that they were now marginally tilted to the upside. However, there was broad agreement to retain the risk assessment as expressed at the March monetary policy meeting, which could be revisited more fully in the context of the June staff macroeconomic projection exercise. Accordingly, members considered that the risks surrounding the euro area growth outlook over the near term continued to be on the downside, while medium-term risks remained more balanced. On the one hand, better prospects for global demand – bolstered by the sizeable fiscal stimulus – and the progress with vaccination campaigns were encouraging. On the other hand, the ongoing pandemic – including the spread of virus mutations – and its implications for economic and financial conditions continued to be sources of downside risk.

Regarding fiscal policies, an ambitious and coordinated fiscal stance was still seen as crucial, since a premature withdrawal of fiscal support would risk delaying the recovery and amplifying longer-term scarring effects. National fiscal policies should thus continue to provide critical and timely support to the firms and households most exposed to the ongoing pandemic and the associated containment measures. At the same time, fiscal measures taken in response to the pandemic emergency should, as much as possible, remain temporary and targeted in nature to address vulnerabilities effectively and to support a swift recovery of the euro area economy. Members expected that fiscal support would likely be increased in most European countries this year and the risk of “cliff-edge effects” was seen to be receding.

Members also reiterated the key role of the Next Generation EU package and the urgency of it becoming operational without delay, calling on EU Member States to ensure a timely ratification of the Own Resources Decision, to finalise their recovery and resilience plans promptly and to deploy the funds for productive public spending, accompanied by productivity-enhancing structural policies. Governments should be encouraged to accelerate the pace of implementation, which was considered to be more important than the size of the fiscal support. This would allow the Next Generation EU programme to contribute to a faster, stronger and more uniform recovery and would increase economic resilience and

the growth potential of Member States' economies, thereby supporting the effectiveness of monetary policy in the euro area. The link with reforms, to ensure sustainable growth, was also highlighted, as was the importance of fiscal measures in tackling economic fragmentation.

Turning to price developments, there was broad agreement with the assessment presented by Mr Lane in his introduction. Euro area annual inflation had increased to 1.3% in March 2021, from 0.9% in February. Members generally agreed on the importance of looking through the increase in inflation in the short term – which was expected to be temporary – as well as the heightened volatility expected over the coming 12 months. At the same time it was noted that, since the cut-off date for the March 2021 ECB staff projections, there had been a further upward revision to the inflation outlook for 2021 and 2022. In addition to the impact of energy price developments, it was argued that there could also be some upward pressures on inflation in the short run resulting from supply chain disruptions, coinciding with a recovery in demand. However, it was also underlined that underlying inflation and price pressures generally remained subdued. There was still a significant degree of slack in the labour market and no evidence that wage-setting was picking up significantly. It was recalled that, according to the March 2021 ECB staff projections, inflation was projected to be only 1.4% in 2023. Against this background, a view was expressed that while the policy-relevant medium-term inflation outlook was broadly unchanged from the March meeting, risks to this outlook could be assessed as tilted to the upside.

With regard to recent developments in inflation expectations, members noted that longer-term inflation expectations reported in the ECB Survey of Professional Forecasters were unchanged, at 1.7%, while market-based indicators of inflation expectations had increased. Although this increase mainly reflected an increase in risk premia, there was also a genuine, albeit small, increase in inflation expectations. It was underlined that households' inflation expectations differed from those of financial market participants and professional forecasters, but it would be welcome if this translated into higher inflation expectations more broadly. There was no risk seen, at present, that inflation expectations would become unanchored to the upside. However, the implications of higher headline inflation during 2021 for inflation expectations and possible second-round effects would need to be monitored.

Turning to the monetary analysis, members concurred with the assessment provided by Mr Lane in his introduction. Strong money growth had continued to be driven by the ongoing asset purchases of the Eurosystem, which remained the largest source of money creation. Lending to the private sector had remained broadly unchanged. At the same time, it was noted that loan rejection rates for firms had increased and that credit standards for loans to firms had tightened for the third consecutive quarter, which might hamper the transmission of the ECB's monetary policy measures to the real economy. However, it was also underlined that the latest bank lending survey for the first quarter of 2021 showed a more moderate tightening than had previously been expected. In this context, it was highlighted that the targeted longer-term refinancing operations (TLTROs) continued to play a crucial role in supporting

bank lending to firms and households, alleviating “cliff effects”, with the most recent operation registering a significant take-up of funds. Moreover, it appeared that the increase in market interest rates observed earlier in the year had not been passed through to loan supply and bank lending rates in the first quarter of the year.

Monetary policy stance and policy considerations

With respect to the assessment of financial and financing conditions, there was broad agreement among members that euro area financing conditions had remained broadly stable since the last monetary policy meeting in March. This was visible across the whole monetary transmission chain ranging from upstream indicators, such as market interest rates, to downstream indicators, such as bank lending conditions. Risk-free interest rates and sovereign bond yields, which had increased earlier in the year, had largely moved sideways since the March meeting and had decoupled from developments in US markets since late February, as reported by Ms Schnabel in her introduction. In addition, broader lending conditions were seen to have remained favourable, although bank credit standards for loans to firms had tightened somewhat further according to the latest bank lending survey, as presented by Mr Lane.

This was widely seen as validating the Governing Council’s March decision to significantly increase the pace of net asset purchases under the PEPP, effectively insulating euro area financing conditions from global spillovers and preventing a premature tightening. However, some caution was voiced, given that risks to wider financing conditions remained. Market interest rates still stood at higher levels than those prevailing in December and had increased again slightly in the most recent period, which could in part be attributed to market perceptions about the future course of monetary policy in the United States and to more encouraging news on the vaccination campaigns in the euro area. At the same time, financial conditions across a broader range of markets had eased further based on most indicators, even though the euro exchange rate had appreciated slightly, to stand 0.5% above the level prevailing at the data cut-off point for the March staff projections. It was reiterated that developments in the exchange rate had to be monitored closely with regard to their possible implications for the inflation outlook.

Members expressed broad agreement with the proposal made by Mr Lane to leave the ECB’s monetary policy configuration unchanged and to reconfirm the very accommodative stance. The monetary policy decisions taken in December and March were seen as effective and adequate to preserve favourable financing conditions and to provide the necessary support for the euro area economy. While the incoming information had largely confirmed the assessment made at the March monetary policy meeting, uncertainty remained high and the outlook for the economy and for inflation continued to be dependent on the very accommodative monetary policy stance and the fiscal policy stimulus. In this environment, monetary policy had to remain on a steady course, helping to reduce uncertainty and

bolster confidence, thereby underpinning economic activity and safeguarding medium-term price stability. Based on the evidence that the incoming data and market developments had largely confirmed the joint assessment of financing conditions and the inflation outlook carried out at the March monetary policy meeting, the Governing Council's decision in March to undertake significantly higher PEPP purchases than during the first few months of the year remained appropriate.

Looking ahead, it was underlined that the Governing Council's "reaction function" with respect to purchases under the PEPP would continue to be driven by the Governing Council's determination to preserve favourable financing conditions on the basis of a joint assessment of financing conditions and the inflation outlook and taking into account a holistic and multifaceted set of indicators. In this context, it was also reiterated that flexibility in the conduct of purchases was a cornerstone of the PEPP's purchase strategy. PEPP purchases would continue to be conducted in a flexible manner according to market conditions and with a view to preventing a tightening of financing conditions that was inconsistent with countering the downward impact of the pandemic on the projected path of inflation. This implied that if favourable financing conditions could be maintained with asset purchase flows that did not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full. Equally, the envelope could be recalibrated if required to maintain favourable financing conditions to help counter the negative pandemic shock to the path of inflation.

With respect to recent developments, it was stressed that net purchases in March had increased to the highest monthly purchase volume since July 2020, representing a significant increase compared with average purchases during the first two months of this year, even though the decision to increase the pace of purchases was only taken in mid-March. Members recalled that the monetary policy meeting in June would provide the next opportunity to conduct a thorough assessment of financing conditions and the inflation outlook, at which time the assessment would be informed by the new Eurosystem staff macroeconomic projections. While such a comprehensive assessment, based inter alia on the staff projections, would normally be undertaken on a quarterly basis, it was underlined that the PEPP continued to operate in a flexible manner, allowing the pace of purchases to be adapted according to market conditions and supporting the smooth transmission of monetary policy in a timely manner.

Regarding communication, members broadly concurred with the communication outlined by Mr Lane in his introduction. It needed to be stressed that the March monetary policy decisions had been timely and adequate, having successfully contributed to stabilising financing conditions after the increase in market interest rates earlier in the year, although risks to wider financing conditions remained. The Governing Council's commitment to preserving favourable financing conditions for all sectors of the economy over the pandemic period remained essential to reduce uncertainty and bolster confidence. It was also widely agreed that it should be highlighted that the future pace of purchases under the PEPP was

data-dependent and would continue to be based on the joint assessment of financing conditions and the inflation outlook.

Monetary policy decisions and communication

Taking into account the foregoing discussion among the members, upon a proposal by the President, the Governing Council decided to reconfirm its very accommodative monetary policy stance:

The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility would remain unchanged at 0.00%, 0.25% and -0.50% respectively. The Governing Council expected the key ECB interest rates to remain at their present or lower levels until it had seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence had been consistently reflected in underlying inflation dynamics.

The Governing Council would continue to conduct net asset purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1,850 billion until at least the end of March 2022 and, in any case, until it judged that the coronavirus crisis phase was over. Since the incoming information confirmed the joint assessment of financing conditions and the inflation outlook carried out at the March monetary policy meeting, the Governing Council expected purchases under the PEPP over the current quarter to continue to be conducted at a significantly higher pace than during the first few months of the year.

The Governing Council would purchase flexibly according to market conditions and with a view to preventing a tightening of financing conditions that was inconsistent with countering the downward impact of the pandemic on the projected path of inflation. In addition, the flexibility of purchases over time, across asset classes and among jurisdictions would continue to support the smooth transmission of monetary policy. If favourable financing conditions could be maintained with asset purchase flows that did not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full. Equally, the envelope could be recalibrated if required to maintain favourable financing conditions to help counter the negative pandemic shock to the path of inflation.

The Governing Council would continue to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2023. In any case, the future roll-off of the PEPP portfolio would be managed to avoid interference with the appropriate monetary policy stance.

Net purchases under the asset purchase programme (APP) would continue at a monthly pace of €20 billion. The Governing Council continued to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it started raising the key ECB interest rates.

The Governing Council also intended to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it started raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Finally, the Governing Council would continue to provide ample liquidity through its refinancing operations. In particular, the latest operation in the third series of targeted longer-term refinancing operations (TLTRO III) had registered a high take-up of funds. The funding obtained through TLTRO III played a crucial role in supporting bank lending to firms and households.

The Governing Council stood ready to adjust all of its instruments, as appropriate, to ensure that inflation moved towards its aim in a sustained manner, in line with its commitment to symmetry.

The members of the Governing Council subsequently finalised the introductory statement, which the President and the Vice-President would, as usual, deliver at the press conference following the end of the current Governing Council meeting.

Introductory statement

[Introductory statement to the press conference of 22 April 2021](#)

Press release

[Monetary policy decisions](#)

Meeting of the ECB's Governing Council, 21-22 April 2021

Members

Ms Lagarde, President

Mr de Guindos, Vice-President

Mr Centeno

Mr Elderson

Mr Hernández de Cos*

Mr Herodotou

Mr Holzmann

Mr Kazāks
Mr Kažimír
Mr Knot
Mr Lane
Mr Makhlouf
Mr Müller
Mr Panetta
Mr Rehn
Mr Reinesch*
Ms Schnabel
Mr Scicluna*
Mr Stournaras
Mr Šimkus*
Mr Vasle
Mr Villeroy de Galhau
Mr Visco
Mr Weidmann
Mr Wunsch

* Members not holding a voting right in April 2021 under Article 10.2 of the ESCB Statute.

Other attendees

Ms Senkovic, Secretary, Director General Secretariat
Mr Smets, Secretary for monetary policy, Director General Economics
Mr Winkler, Deputy Secretary for monetary policy, Senior Adviser, DG Economics

Accompanying persons

Mr Arce
Mr Aucremanne
Mr Bradeško
Ms Buch

Mr Demarco

Ms Donnery

Mr Gaiotti

Ms Goulard

Mr Haber

Mr Kaasik

Mr Kuodis

Mr Kyriacou

Mr Lünnemann

Mr Novo

Mr Ódor

Mr Rutkaste

Mr Sleijpen

Mr Tavlás

Mr Välimäki

Other ECB staff

Mr Proissl, Director General Communications

Mr Straub, Counsellor to the President

Ms Rahmouni-Rousseau, Director General Market Operations

Mr Rostagno, Director General Monetary Policy

Mr Sousa, Deputy Director General Economics

Release of the next monetary policy account foreseen on Thursday, 8 July 2021.