EUROPEAN CENTRAL BANK

EUROSYSTEM

11 July 2019

Account of the monetary policy meeting of the Governing Council of the European Central Bank

held in Vilnius

on Wednesday and Thursday, 5-6 June 2019

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Mario Draghi

President of the European Central Bank

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

Financial market developments

Mr Cœuré reviewed the latest financial market developments.

Since the Governing Council's previous monetary policy meeting on 9-10 April 2019, US trade negotiations with both China and Mexico had progressively deteriorated, negatively impacting global equity markets and pushing equity risk premia higher. Bond yields had declined to multi-year lows. In foreign exchange markets, the euro and the US dollar had appreciated in nominal effective terms, reflecting mainly the weakness in emerging market currencies and, in particular, the Chinese renminbi. At the same time, the euro had continued its gradual depreciation against the US dollar, a trend observed since the start of 2018 that likely related to changes in the relative growth outlook.

In bond markets, the yield on the ten-year German government bond had declined by more than 70 basis points since October 2018, to a record low level of -22 basis points. The ten-year US Treasury yield had fallen even more – by around 100 basis points over the same period. Tentative evidence suggested that the recent decline in global bond yields signalled a broader reappraisal of the global growth and monetary policy outlook by markets rather than a temporary flight to safety.

First, yield spreads of higher-yielding euro area sovereign bonds – with the exception of Italian government bonds – had declined in recent weeks, unlike in periods of broad risk aversion, when these yield spreads would tend to rise against German bonds. The yields on ten-year Spanish and Portuguese sovereign bonds were trading at their lowest levels on record.

Also, euro area five-year forward inflation-linked swap rates five years ahead had continued their trend decline of recent months and were currently only marginally higher than the record low of 1.25% observed in the aftermath of the 2016 Brexit referendum. In the United States, marked-based inflation expectations had also declined more recently.

A third factor that suggested increasing concerns over the growth outlook related to recent developments in the spread between the ten-year Bund and the overnight index swap (OIS) rate. This had been a good proxy for scarcity in bond markets. Since the start of the year, with Bund yields falling steadily, OIS rates had fallen even more rapidly. In turn, this suggested that the recent fall in Bund yields by and large reflected a revision of the medium-term outlook for monetary policy, concerning both the level of the key policy rates and the uncertainty around them.

The EONIA forward curve also showed that there had been a reassessment of the monetary policy outlook in the euro area. Since October 2018 the curve had flattened notably and, more recently, a significant shift had been observed since the Governing Council's April 2019 monetary policy meeting. There had also been notable changes in the shape of the US Treasury yield curve. In recent weeks the curve had become inverted in the belly of the curve, consistent with expectations of a rate cut.

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

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

Regarding the external environment, global manufacturing and trade remained weak. The global composite output Purchasing Managers' Index (PMI) had decreased in May, pointing to some deceleration in global activity in the second quarter of 2019. Reflecting the weakness in manufacturing, global trade had remained subdued in the first quarter of 2019. Annual consumer price inflation in the OECD area in April had increased to 2.5%, from 2.3% in March, driven by an increase in core and energy price inflation. Annual CPI inflation excluding food and energy had stood at 2.2% in April, up from 2.1% in March. Oil prices had declined by 11% since the Governing Council's April monetary policy meeting and now hovered around USD 62.3 per barrel. Over the same horizon, food prices had declined by almost 4% and metal prices had decreased by 2.7%, while the euro was broadly unchanged against the US dollar but had appreciated somewhat in nominal effective terms.

Turning to the euro area economy, real GDP growth had rebounded unexpectedly in the first quarter of 2019, with Eurostat's second release putting the increase at 0.4% quarter on quarter. This rebound had been supported by some temporary factors, especially in the manufacturing sector. However, survey indicators pointed to weaker growth ahead.

Turning to the components of domestic demand, real private consumption had posted strong quarter-on-quarter growth of 0.5%. This had in part been driven by a recovery in car purchases following the weakness in the fourth quarter of 2018 stemming from the introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), as well as by some normalisation in France following weakness caused by the "yellow vest" protests. Real residential investment had grown strongly in the first quarter of 2019, at 1.5% quarter on quarter, supported by mild weather conditions. Machinery and equipment investment had increased by 1.2%, quarter on quarter, in the first quarter of 2019, remaining relatively resilient in the face of the recent growth slowdown. The prolonged persistence of uncertainties posed, however, a downside risk to the outlook for business investment.

Regarding labour market developments, according to Eurostat's flash estimate, euro area employment had increased by 0.3%, quarter on quarter, in the first quarter of 2019, a rate similar to those recorded in the previous two quarters. Moreover, the composite PMI on employment stood at 52.7 in May, pointing towards continued positive overall growth. The indicator had held up in services, but in manufacturing it had declined below the no-change threshold of 50 for the first time since August 2014.

Extra and intra-euro area exports both showed initial signs of stabilisation. At the same time, leading indicators continued to signal weak trade developments ahead.

These developments were also reflected in the June 2019 Eurosystem staff macroeconomic projections for the euro area, which projected annual real GDP growth at 1.2% in 2019 and 1.4% in the subsequent two years. While recent hard data for the first quarter of 2019 had turned out better than expected, the subsequent quarters had been revised down mainly on account of weaker global trade.

Turning to price developments, according to Eurostat's flash estimate, annual HICP inflation had decreased to 1.2% in May, from 1.7% in April, mainly due to lower energy and services price inflation. HICP inflation excluding energy and food had decreased to 0.8% in May, from 1.3% in April. Looking through the Easter-related volatility, measures of underlying inflation remained muted. At the same time, according to the latest information, wage pressures had continued to build up. Annual growth in negotiated wages in the euro area had been 2.2% in the first quarter of 2019, unchanged from the fourth quarter of 2018.

In the June 2019 Eurosystem staff projections, annual HICP inflation was expected to increase from 1.3% in 2019 to 1.4% in 2020 and 1.6% in 2021. Compared with the March 2019 ECB staff projections, the outlook for HICP inflation had been revised up by 0.1 percentage points for 2019 and down by 0.1 percentage points for 2020, but remained unchanged for 2021. The inflation projections were in line with the forecasts of other institutions.

Market-based inflation expectations had declined at all horizons since the Governing Council's April monetary policy meeting. Despite these measures being close to historic lows, there had been no meaningful increase in deflation risk in comparison with the situation in 2015 or 2016. At the same time, survey-based measures of longer-term expected inflation had remained stable. The longer-term expectation in the latest (March) Survey of Professional Forecasters stood at 1.8%, 0.1 percentage points below the survey result recorded over the period from the fourth quarter of 2017 to the fourth quarter of 2018. Moreover, other surveys of long-term inflation expectations, namely by Consensus Economics and the Euro Zone Barometer, remained broadly in line with the ECB's inflation aim.

Euro area financial conditions had tightened marginally, but had remained looser relative to the start of the year. Since the Governing Council's April monetary policy meeting, the slight tightening in euro area financial conditions could mainly be ascribed to heightened trade tensions, which had caused the euro to appreciate in nominal effective terms and equity prices to decline. The decline in equity markets had occurred despite an improvement in corporate earnings expectations. Meanwhile, the expected timing of an ECB policy rate "lift-off" had shifted out substantially, with some market-perceived chance of rate cuts.

Turning to money and credit developments, the annual growth rate of broad money (M3) had picked up in April, to 4.7% in year-on-year terms, thereby remaining rather resilient to the declining mechanical contribution of APP purchases. From a counterpart perspective, while private credit continued to be the main source of money creation, since July 2018 the decline in the contribution of the APP had been replaced by external monetary inflows and, to a lesser extent, by bank credit to general government. At the euro area level, the composite lending rates for non-financial corporations and for households for house purchase stood at 1.62% and 1.75% respectively, falling to new historical lows. Deposit rates remained stable at very low levels.

As regards fiscal policy, after 0.5% in 2018, the euro area general government deficit ratio was projected to increase this year to 0.9% of GDP and to remain constant thereafter, despite falling interest payments. This reflected a mildly expansionary fiscal stance.

Monetary policy considerations and policy options

Summing up, Mr Lane remarked that, while the most recent hard data for first quarter economic activity were better than expected, in part due to temporary factors, weak global trade and the prolonged presence of uncertainties continued to be a drag on euro area growth developments. This was reflected in another downward revision of the growth outlook in the June 2019 Eurosystem staff projections.

Bank lending conditions for firms and households remained very favourable, even if overall financial conditions had tightened marginally since the Governing Council's April monetary policy meeting, largely on account of the re-escalation of trade tensions.

The balance of risks remained tilted to the downside, despite the downward revision to the growth projections, largely on account of persistent sources of uncertainty relating to the international environment. These uncertainties could weaken or delay the recovery in external demand beyond what was already reflected in the June projections and further weigh on investment and consumption. Trade tensions had re-escalated, uncertainty about Brexit was extended in time and fragilities in emerging market economies remained, despite signs of stabilisation in some of them.

HICP inflation had decreased in May, mainly on account of temporary factors. Measures of underlying inflation had continued to move sideways, even if labour cost pressures had continued to strengthen and broaden as labour markets had tightened further. The June 2019 Eurosystem staff projections broadly confirmed the March outlook for inflation, which would reach only 1.6% in 2021, some distance below the Governing Council's inflation aim. Market-based measures of inflation expectations had further declined.

Mr Lane therefore saw the need to update the monetary policy stance to provide the monetary accommodation necessary for inflation to remain on a sustained path towards levels that were below, but close to, 2% over the medium term. Accordingly, he proposed the following adjustments: first, to extend the calendar element of the ECB's forward guidance on the path of interest rates to "at least through the first half of 2020"; second, to confirm the forward guidance on reinvestment; and third, based on the assessment of the bank-based transmission channel of monetary policy and the developments in the economic outlook, to set the interest rate of the upcoming series of targeted longer-term refinancing operations (TLTRO III) equal to the average rate on the main refinancing operations (MRO) plus 10 basis points over the life of the respective operation, and as low as the average deposit facility rate plus 10 basis points for those banks whose eligible net lending exceeded a benchmark. This struck a reasonable balance between acknowledging the sound developments in bank lending and the importance of preserving the accommodative stance.

These measures were appropriate in the current economic environment and would provide the necessary monetary accommodation for inflation to move towards levels that were below, but close to, 2% over the medium term. Looking ahead, the Governing Council needed to be determined to act in case of adverse contingencies. It should stand ready to ease the monetary policy stance further by adjusting all of its instruments, as appropriate, to achieve the ECB's price stability objective. Possible measures could include extending forward guidance further, restarting net asset purchases and decreasing policy rates.

In addition, following on from what had been communicated in April 2019, the Governing Council could indicate that, at the current point in time, the positive contribution of negative interest rates to the accommodative monetary policy stance and to the sustained convergence of inflation was not undermined by possible side effects on bank-based intermediation. However, the Governing Council should continue to monitor carefully the bank-based transmission channel of monetary policy and the case for mitigating measures.

Complementing Mr Lane's remarks, Mr Cœuré pointed out that, in its communication of 7 March 2019, the ECB had specified that further details on the precise terms of TLTRO III would be communicated in due course. The Executive Board was now putting forward proposals on the remaining details of the TLTRO III programme, taking into account a thorough assessment of the bank-based transmission channel of monetary policy, as well as further developments in the economic outlook, but also considering the experience gained with TLTRO I and TLTRO II. A technical press release, to be published after the Governing Council meeting, would set out details regarding TLTRO III pricing, the definition of the lending benchmark and the performance target, the definition of TLTRO III groups, the borrowing allowance and reference periods, as well as the concentration limits to be applied to every TLTRO III operation. The Eurosystem would provide further communication to counterparties in due course.

2. Governing Council's discussion and monetary policy decisions

Economic and monetary analyses

With regard to the economic analysis, members broadly shared the assessment of the outlook for economic activity in the euro area provided by Mr Lane in his introduction. Despite the somewhat better than expected data for the first quarter of 2019, the most recent information indicated that global headwinds continued to weigh on the euro area outlook. The prolonged presence of uncertainties, related to geopolitical factors, the rising threat of protectionism and vulnerabilities in emerging markets, was leaving its mark on economic sentiment. At the same time, further employment gains and increasing wages continued to underpin the resilience of the euro area economy and gradually rising inflation. This assessment was broadly reflected in the June 2019 Eurosystem staff projections, which foresaw annual real GDP increasing by 1.2% in 2019, 1.4% in 2020 and 1.4% in 2021. Compared with the March 2019 ECB staff projections, the outlook for real GDP growth had been revised up for 2019 and down for 2020 and 2021.

Considering the outlook and risks for the external environment, members highlighted the ongoing weakness in global trade, and concern was expressed about more pervasive and prolonged uncertainties in the external environment and their adverse impact on the global growth outlook for some time to come. Persistent uncertainty and trade tensions were negatively affecting international production and supply chains, with likely repercussions on investment plans.

Risks to the external environment were generally seen to be increasing or to have already increased, notably related to the deteriorating trade relationship between the United States and China, and to the continuing

uncertainty regarding the United Kingdom's withdrawal from the EU. It was underlined that markets appeared to see heightened trade conflicts as a proxy for a more fundamental shift in the multilateral world order. Against this background, the risks to the external environment were assessed to remain on the downside on account of the persistence of uncertainties, related to geopolitical factors, the threat of protectionism and vulnerabilities in emerging markets.

Turning to euro area activity, members noted that recent data had been mixed, with real GDP having risen by 0.4%, quarter on quarter, in the first quarter of 2019, following an increase of 0.2% in the fourth quarter of 2018. However, further economic data and survey information pointed to somewhat weaker growth in the second and third quarters. This reflected ongoing weakness in international trade in an environment of prolonged global uncertainty, which was weighing in particular on the euro area manufacturing sector. At the same time, the euro area services and construction sectors were showing resilience and the labour market was continuing to improve. In this context, it was argued that, in recent economic indicators, a gap had opened between hard data, notably on employment and wages, which remained supportive of domestic demand, and some of the confidence indicators and market perceptions, which seemed to be more negative.

Attention was drawn to an apparent dichotomy between economic projections and prevailing market perceptions of the outlook, as reflected in market prices, both globally and for the euro area. A view was expressed that markets might be prone to overreaction and overshooting, while economic projections tended to be somewhat sluggish in revising the outlook and subject to mean reversion. The point was made that financial markets tended to give greater weight to tail risks than the baseline.

Discussing the June 2019 Eurosystem staff macroeconomic projections in greater detail, members underlined that the baseline remained broadly consistent with the March 2019 ECB staff projections and that changes were not very substantial, especially with regard to inflation, compared with the downward revisions that had been observed in the March exercise. It was highlighted that domestic demand had so far been rather resilient, underpinned by strong employment and wage growth, favourable lending conditions and support from a very accommodative monetary policy stance and a mildly expansionary fiscal stance. Emphasis was placed on the staff projections for employment, which had been continuously revised up. It was also noted that the risk of recession was low.

Attention was also drawn to the dispersion of growth rates across countries, which pointed to the observed "soft patch" in activity being mainly due to two of the larger euro area economies, which had sizeable export-oriented manufacturing sectors, while activity elsewhere appeared to be more robust. However, it was also cautioned that the manufacturing slowdown observed in these two economies might yet spread further, in view of integrated intra-European value chains.

The balance of risks surrounding the euro area growth outlook was assessed by members to remain tilted to the downside on account of the persistence of uncertainties, related to geopolitical factors, the threat of protectionism and vulnerabilities in emerging markets. With respect to the outlook for fiscal policy, members noted that the mildly expansionary euro area fiscal stance was providing support to economic activity. It was recalled that, in order to reap the full benefits from the ECB's monetary policy measures, other policy areas had to contribute more decisively to raising the longer-term growth potential and reducing vulnerabilities.

With regard to price developments, there was broad agreement with the assessment presented by Mr Lane in his introduction. According to Eurostat's flash estimate, euro area annual HICP inflation was 1.2% in May 2019, after 1.7% in April, mainly reflecting lower energy and services price inflation. On the basis of current futures prices for oil, headline inflation was likely to decline over the coming months before rising again towards the end of the year. Looking through the recent volatility owing to temporary factors, measures of underlying inflation remained generally muted, but labour cost pressures continued to strengthen and broaden amid high levels of capacity utilisation and tightening labour markets. Looking ahead, underlying inflation was expected to increase over the medium term, supported by the ECB's monetary policy measures, the ongoing economic expansion and rising wage growth.

This assessment was also broadly reflected in the June 2019 Eurosystem staff projections, which foresaw annual HICP inflation at 1.3% in 2019, 1.4% in 2020 and 1.6% in 2021. Compared with the March 2019 ECB staff projections, the outlook for HICP inflation had been revised up by 0.1 percentage points for 2019 and revised down by 0.1 percentage points for 2020. Confidence in the upward movement in the path of inflation was expressed, and it was underlined that the recent pronounced volatility in inflation data should be temporary and had, in significant measure, been due to the timing of public holidays and to methodological changes regarding seasonal adjustment in the euro area's largest economy.

Reference was made to the downward shift in the option-implied distribution of inflation expectations. The five-year forward inflation-linked swap rate five years ahead had fallen back to levels near the previous lows recorded in September 2016. At the same time, it was recalled that while technical factors might affect the information content of market-based measures of inflation expectations and while no such strong deterioration could be detected in other measures, notably surveys, there should be no room for complacency.

With unit labour costs expected to decelerate somewhat over the projection horizon, as productivity gains outpaced wage growth, increasing profit margins were seen as the main factor behind rising inflation in the projections. However, it was argued that stronger profit margins might not materialise in an environment of decelerating domestic demand and in the presence of substantial cash buffers held by companies, which could be used to accommodate shocks in uncertain conditions. Hence the pass-through from wages to prices might not be observed for some time. However, it was also underlined that, while the limited pass-through from wages to prices remained a puzzle and there were uncertainties and lags in the relationship, the fundamental economic forces remained in place for inflation to pick up over time.

With regard to the monetary analysis, members widely shared the assessment provided by Mr Lane in his introduction. The sustained rates of broad money growth were seen to reflect ongoing bank credit creation for the private sector and low opportunity costs of holding M3. The narrow monetary aggregate M1 continued to be the main contributor to broad money growth on the components side. On the counterparts side, lending to the non-financial private sector had remained robust overall and continued to be supported by very favourable borrowing costs for firms and households across the euro area, which remained close to their historical lows.

Members also broadly shared the assessment that, at current levels, the ECB's negative interest rate policy continued to support loan growth and, ultimately, economic growth and inflation. The immediate costs of the negative interest rate policy arising from banks paying a negative rate on their excess reserves and deposit

facility holdings were considered to be overall limited in size. So far, these costs were outweighed by the overall benefits from the generation of larger lending volumes and the reduction of risks and loan loss provisions due to the more favourable macroeconomic developments fostered by negative interest rates. The point was made that such findings warranted further analysis and that this assessment might not hold for lower policy rates or for horizons longer than those currently envisaged in the Governing Council's forward guidance.

Monetary policy stance and policy considerations

With regard to the monetary policy stance, members widely shared the assessment provided by Mr Lane in his introduction. Overall, financial conditions had tightened marginally since the Governing Council's April monetary policy meeting, largely on account of the renewed escalation of trade tensions. At the same time, bank lending conditions for firms and households remained very favourable. While further employment gains and rising wages still underpinned the resilience of the domestic economy and gradually rising inflation pressures, an ample degree of monetary accommodation remained necessary to support the euro area expansion, the ongoing build-up of domestic price pressures and, thus, headline inflation developments over the medium term.

There was also broad agreement with the assessment that an update of the monetary policy stance was called for in the light of the prolongation of uncertainties and their implications for the inflation outlook. Confidence in the baseline projection and a sustained adjustment in the path of inflation continued to be warranted, but inflation was still projected to reach only 1.6% in 2021, which was seen to remain some distance away from the Governing Council's inflation aim. It was hence considered important for the Governing Council to demonstrate its determination to act, in line with its reaction function, by adjusting its monetary policy stance at the current meeting, and to further prepare for adverse contingencies in the period ahead.

Against this background, members expressed broad agreement with the overall package of monetary policy proposals put forward by Mr Lane in his introduction: first, to adjust the calendar-based component of the Governing Council's forward guidance on the key ECB interest rates to indicate that the Governing Council now expected rates to remain at their present levels "at least through the first half of 2020"; second, to reiterate the Governing Council's forward guidance on reinvestment; and, third, based on the assessment of the bank-based transmission channel of monetary policy and the developments in the economic outlook, to set the interest rate on the forthcoming TLTRO III operations equal to the average MRO rate plus 10 basis points over the life of the respective operation, and as low as the average deposit facility rate plus 10 basis points for those banks whose eligible net lending exceeded a benchmark. At the same time, some nuances were expressed about individual elements of the policy package.

Responding to the further weakening of the economic outlook and the muted inflation developments, in the context of prolonged uncertainties, the extension of the calendar element of the forward guidance on interest rates was widely seen as appropriate. The point was made that, if the calendar-based component was progressively aligned with market expectations in response to changes in the macroeconomic environment, the independent value of the calendar element could be seen to be diminished. The forward guidance on the interest rate path nonetheless remained the principal instrument for adjusting the monetary policy stance and

had proved effective. Moreover, the extension of the calendar-based component by six months was seen to be in line with a gradual approach to adjusting policy, which would allow monitoring in the period ahead to see whether the observed prolonged "soft patch" proved to be persistent. In addition, it was underlined that the state-contingent element embodied a powerful automatic stabiliser, as indicated by the very substantial downward shift in the entire interest rate swap curve since the beginning of the year.

With regard to the pricing of the TLTRO III operations, members widely supported the proposal made by Mr Lane and agreed with his assessment that this struck a reasonable balance between acknowledging the solid developments in bank lending and the importance of preserving the ECB's accommodative monetary policy stance. The pricing of a minimum rate at the deposit facility rate plus 10 basis points was widely seen as very favourable and maximising the policy effectiveness of the forthcoming operations. Some arguments were made in favour of a pricing more in line with that of TLTRO II. This was seen as making the contribution of TLTRO III to the monetary policy stance even stronger. At the same time, it was acknowledged that bank lending was, overall, much stronger now than had been the case when TLTRO II was announced.

In the context of their regular assessment, members also broadly shared Mr Lane's assessment in his introduction that, at the current point in time, the positive contribution of negative interest rates to the accommodative monetary policy stance and to the sustained convergence of inflation was not undermined by possible side effects on bank-based intermediation. At the same time, there was also broad agreement that the Governing Council should continue to monitor carefully the bank-based transmission channel and the case for mitigating measures. In this context, it was underlined that the possible side effects of a low interest rate environment would also need to be addressed by adequate macroprudential policies. A call was therefore made to strengthen the effectiveness of macroprudential frameworks and prudential tools to address possible financial stability risks arising from rates remaining at very low levels over a prolonged horizon.

Against this background, the President ascertained that all members agreed with the overall package of monetary policy proposals put forward by Mr Lane in his introduction, which was seen as appropriate in the current economic environment to provide the monetary accommodation necessary for inflation to remain on a sustained path towards levels below, but close to, 2% over the medium term.

At the same time, there was broad agreement that, in the light of the heightened uncertainty, which was likely to extend further into the future, the Governing Council needed to be ready and prepared to ease the monetary policy stance further by adjusting all of its instruments, as appropriate, to achieve its price stability objective. Potential measures to be considered included the possibility of further extending and strengthening the Governing Council's forward guidance, resuming net asset purchases and decreasing policy rates.

In this context, it was also noted that, should the environment of too low inflation continue to prevail, considerations of a more strategic nature might be warranted in order to reinforce the credibility of the ECB's monetary policy and support the achievement of a sustained adjustment in inflation to its inflation aim. The point was made that the Governing Council's communication should put more emphasis on the symmetry of its medium-term aim by clarifying that deviations of inflation from the Governing Council's inflation aim would be tolerated in a symmetrical fashion, in both directions, as long as this supported the achievement of the Governing Council's inflation aim in a sustained manner over the medium term. At the same time, the point was made that care needed to be taken to ensure that any considerations of a strategic nature could not be

seen as moving the goalposts at a time when it proved challenging to achieve the Governing Council's inflation aim.

Monetary policy decisions and communication

Taking into account the foregoing discussion among the members, on a proposal from the President, the Governing Council decided that 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 -0.40%, respectively. The Governing Council expected the key ECB interest rates to remain at their present levels at least through the first half of 2020, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels below, but close to, 2% over the medium term.

The Governing Council intended to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme 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.

Regarding the modalities of the new series of quarterly TLTROs, the Governing Council decided that the interest rate in each operation would be set at a level that is 10 basis points above the average rate applied in the Eurosystem's main refinancing operations over the life of the respective TLTRO. For banks whose eligible net lending were to exceed a benchmark, the rate applied in TLTRO III would be lower and could be as low as the average interest rate on the deposit facility prevailing over the life of the operation plus 10 basis points. Further modalities would be set out in a technical press release to be published at the end of the press conference.

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

https://www.ecb.europa.eu/press/pressconf/2019/html/ecb.is190606~32b6221806.en.html

Press releases

https://www.ecb.europa.eu/press/pr/date/2019/html/ecb.mp190606~1876cad9a5.en.html
https://www.ecb.europa.eu/press/pr/date/2019/html/ecb.pr190606~d1b6e3247d.en.html

Meeting of the ECB's Governing Council, 5-6 June 2019

Members

Mr Draghi, President

Mr de Guindos, Vice-President

Mr Cœuré

Mr Costa

Mr Hansson

Mr Hernández de Cos

Mr Herodotou

Mr Kažimír*

Mr Knot*

Mr Lane

Ms Lautenschläger

Mr Mersch

Mr Nowotny

Mr Rehn*

Mr Reinesch

Mr Rimšēvičs

Mr Stournaras

Mr Vasiliauskas

Mr Vasle

Mr Vella

Mr Villeroy de Galhau

Mr Visco

Mr Weidmann

Mr Wunsch*

* Members not holding a voting right in June 2019 under Article 10.2 of the ESCB Statute.

Other attendees

Mr Teixeira, 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 Alves

Mr Arce

Mr Aucremanne

Mr Bradeško

Mr Cassidy

Mr Demarco

Ms Donnery

Mr Gaiotti

Ms Goulard

Mr Kuodis

Ms Mauderer

Mr Müller

Mr Ódor

Mr Pattipeilohy

Ms Ritzberger-Grünwald

Mr Rutkaste

Mr Schoder

Mr Kyriacou

Mr Tavlas

Mr Välimäki

Other ECB staff

Ms Graeff, Director General Communications

Mr Straub, Counsellor to the President

Mr Bindseil, Director General Market Operations

Mr Rostagno, Director General Monetary Policy

Mr Sousa, Deputy Director General Economics

Mr Stracca, Deputy Director General International and European Relations

Ms Valla, Deputy Director General Monetary Policy

Release of the next monetary policy account foreseen on Thursday, 22 August 2019.