

CENTRAL BANKS

ECB Minutes: 3 June meeting

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- The GC agreed that there was no need to consider any change in its current monetary policy stance
- The GC unanimously stated the need to look through market volatility.

The ECB released its monetary policy accounts of its 3 June meeting. All ECB members agreed to follow the current monetary policy strategy, adding the need to look through recent volatility in financial markets. In particular, the minutes showed that the GC saw no need to consider any change in the current monetary policy stance, but it was willing to review or modify the ECB's stance if the need arises.

On the economic outlook, GC participants were in general agreement that the recovery was broadly on track, as expected, supporting their assessment of continued moderate growth. However, GC members generally agreed that risks to the economic recovery remained to the downside. Meanwhile on inflation, there was broad agreement that inflation seemed to have bottomed out at the beginning of the year. It is expected to remain low for the rest of the year, before rising later, during 2016 and 2017.

Against this background, the minutes stated that there was broad agreement among GC members that all monetary policy measures in place were bearing fruit, although it was too early to declare them a success. Participants generally shared the assessment that the accommodative monetary policy stance was supporting the economic recovery, the pick-up in inflation and improvements in credit growth. As such, 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. The ECB GC members broadly agreed that it is crucial to maintain a steady monetary policy course and a rigid implementation of the monetary policy measures in place.

Regarding the recent rise in market volatility, the accounts showed that GC members are worried about it, as they stressed the need to look "through recent financial market volatility." In particular, the minutes revealed that participants see the negotiations on Greece's debt as one important source of that volatility: "Prevailing geopolitical risks and continued uncertainty about the outcome of negotiations between one euro area government and its official creditors were also seen as likely sources of market uncertainty and volatility."

The minutes confirm the ECB's pledge to maintain a steady monetary policy course. In our view, opening the window to speculation over an early tapering would have been both premature and risky: especially now, when market volatility is likely to remain high as long as Greece's future remains extremely uncertain.

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