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Banking association president Peters: ECB decision on expansive monetary policy inadequate

- **ECB, as expected, has adjusted bond-buying programme**
- **Bond purchases scaled back to 30 billion euros monthly**
- **Increase in key interest rates not in sight for time being**

The European Central Bank (ECB) today announced first adjustments to its bond-buying programme from January 2018, and the Association of German Banks believes it is moving in the right direction. "By scaling back monthly bond purchases, the ECB has taken a clear step towards normalising monetary policy," said Hans-Walter Peters, the association's president. "Given that the economy is robust and deflation risks have long since been overcome, this decision is right and long overdue," Mr Peters added.

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At the same time, Mr Peters saw the decision to extend the bond-buying programme until at least September 2018 as less than convincing. This extension was an additional multi-billion-euro monetary policy stimulus in a booming economy. It would expand the ECB's already heavily inflated balance sheet by a further 270 billion euros. Mr Peters: "All in all, the ECB's decision today is a mixed one, reflecting a 'two steps forward, one step back' approach.

Mr Peters stressed that the longer the ultra-loose monetary policy continued, the higher were the risks. An end to the negative-interest-rate policy was absolutely not yet in sight. He therefore reiterated his recommendation for the ECB to introduce a threshold below which banks would not have to pay any penalty for depositing excess liquidity. "The Swiss central bank has already successfully taken such a step and managed to at least curb to some extent the collateral damage caused by the negative interest rates."