German Economic Team

The ECB's policy reaction to the Corona crisis

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Summary (I)

- The European Central Bank (ECB) has reacted forcefully to the multidimensional challenges caused by the Corona crisis. The ECB is confronted with a simultaneous supply and demand shock, which has led to the deepest recession since WWII. Apart from trying to use its monetary instruments to stimulate demand, the ECB's main task is to prevent the economic crisis to morph into a financial crisis in the general form of a new banking crisis and/or a shutdown of bond markets.
- More specific, the economic crisis could be deepened by:
  - a lack of central bank liquidity and a corresponding spike in money market rates, be it in Euro or in Dollar;
  - a shutdown of government bond markets and corporate bond markets, leading to an explosion of risk premiums, a wave of insolvencies including a sovereign debt crisis;
  - pressure on the Euro due to a combination of the aforementioned reasons and political decisions;
  - a procyclical behaviour of market participants.

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Summary (II)

- While the ECB has not much leeway with respect to the short-term policy rate as orthodox policy measures have been widely exhausted, it has gathered a lot of experience through the financial market crisis of 2008/2009 where a couple of new instruments where developed. These instruments such as long term refinancing operations, asset purchases (Quantitative Easing and Credit Easing), collateral easing measures, international swap lines and expectations anchoring forward guidances have been implemented or reinforced.
- The implications for emerging markets are straightforward:
  - The extremely loose monetary stance of the ECB allows many emerging markets to loosen their monetary policy too without fearing a negative backlash on their currencies and/or inflation.
  - As there is still space for conventional monetary policy tools, this should be the priority. While some advanced EM central banks (e.g. in the new EU members) have followed the ECB in the use of unorthodox measures, this experience cannot be generalised across emerging markets.

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Agenda

1. Introduction: New challenges for the ECB
2. The monetary stance of the ECB before the Corona crisis
3. Measures taken by the ECB in response to the Corona crisis
4. Further hypothetical measures
5. Conclusions on the ECB‘s policy reaction
6. Implications for emerging markets

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1. Introduction: New challenges for the ECB

- The Corona crisis triggered the deepest recession since WWII, disrupting both global value chains and global demand. It means that central banks have to cope with a simultaneous supply and a demand shock.
- The crisis originated in the real sector and could easily morph into a financial crisis. This could happen through a spike in corporate and sovereign defaults and turbulences in financial markets as well as tensions in money markets, thereby prolonging and deepening the crisis even further.

Purpose of this policy briefing:

- How did the European Central Bank (ECB), which is challenged by this unprecedented shock, react in its conduct of monetary policy?
- While the ECB as central bank of a currency union has its particularities and cannot be transferred one-to-one to emerging economies (EM), its international importance as well as its broad range of partly innovative instruments delivers some interesting lessons for EM, in our view.

Economic and financial challenges

- **Slump in demand on a global scale**: The ECB is confronted with an unparalleled fall in both internal and external demand. As long as shutdown measures are in place, the ECB has no big chances to stimulate demand conditions. However, as soon as economic agents are allowed to spend again, the ECB is required to provide corresponding conditions to encourage spending.
- **Liquidity**: In the short term, the main challenge is to provide enough liquidity to avoid tensions in money markets and the spike of short term rates. Liquidity issues could morphe easily into solvency issues if not contained in a timely manner.
- **Spike in risk aversion and volatility**: Due to the high degree of uncertainty investors shy away from all kind of risks, sending stocks lower and credit spreads higher, thereby worsening the financial conditions. In the worst case, this could lead to the shutdown of capital markets.
- **Pro-cyclicality**: Recessions, combined with some well intended regulations, risk to trigger pro-cyclical behaviour of banks, deepening the crisis.
- **Dollar-liquidity:** Given that a lot of trade-related business is financed by dollar loans, there is the need to provide enough dollar liquidity to bank, to avoid solvency issues on the side of banks and corporates.
- **Reappearance of currency risk of euro area members**: While there should be no currency risk in a currency union, the euro crisis of 2012 has shown that fears of a break-up of the euro area could appear. Increasing public debt stocks could trigger again this fear in the form of an explosion of sovereign spreads.

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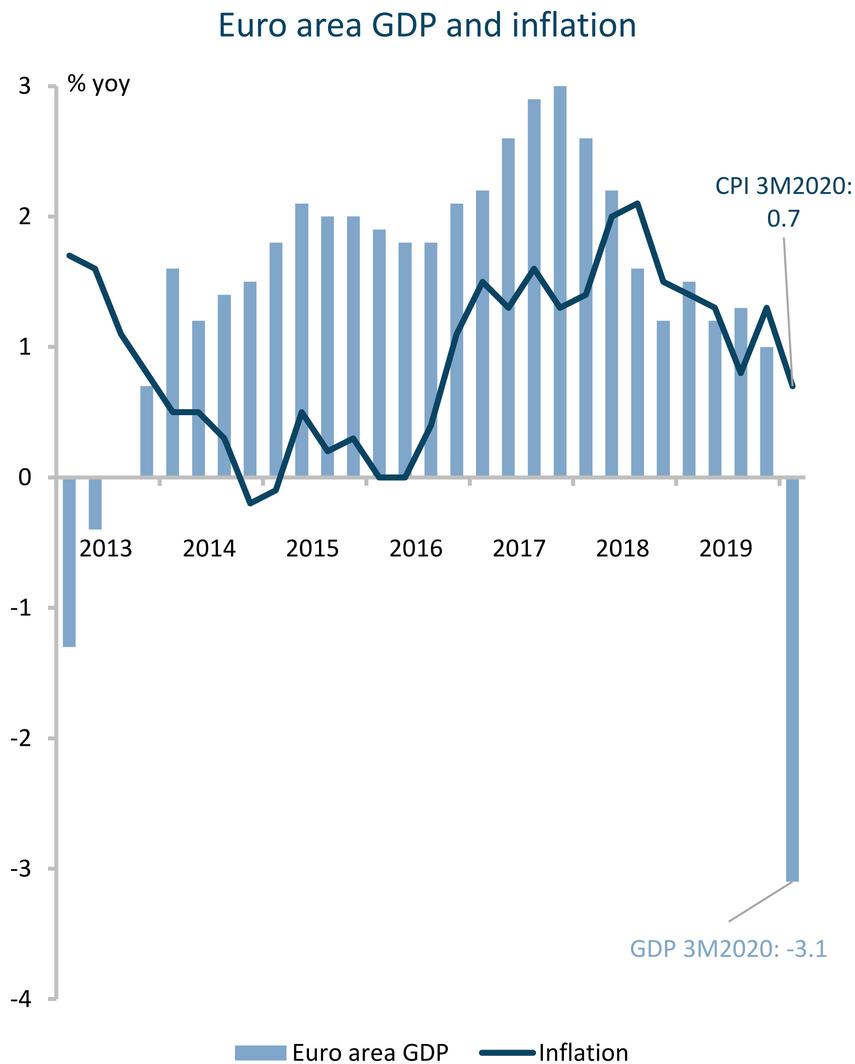
2. The monetary stance of the ECB before the Corona crisis (I)



Sources: Macrobond, Eurostat

- Over the last years the ECB, having exhausted its conventional monetary policy space, introduced a couple of programmes, leaving their traces in ECB‘s balance sheet. This includes various long term refinancing operations, asset purchase programmes considering public and private sector bonds, a commercial paper programme and negative deposit facility rates.
- The ECB took further loosening measures in 2019 (see next slide) in response to an inflation rate undershooting the ECB‘s inflation target of near, but below 2% and weakening economic conditions.
- When the Corona crisis hit the world economy and the financial markets by the end of January 2020, economic activity (Q4_19 GDP grew only by 1.0% YoY) and inflation (Jan_20: 1.4% YoY) continued to show a rather weak euro area economy.

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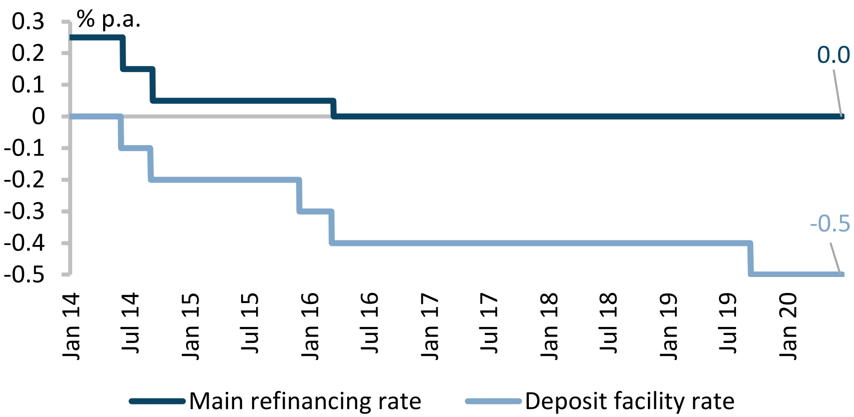
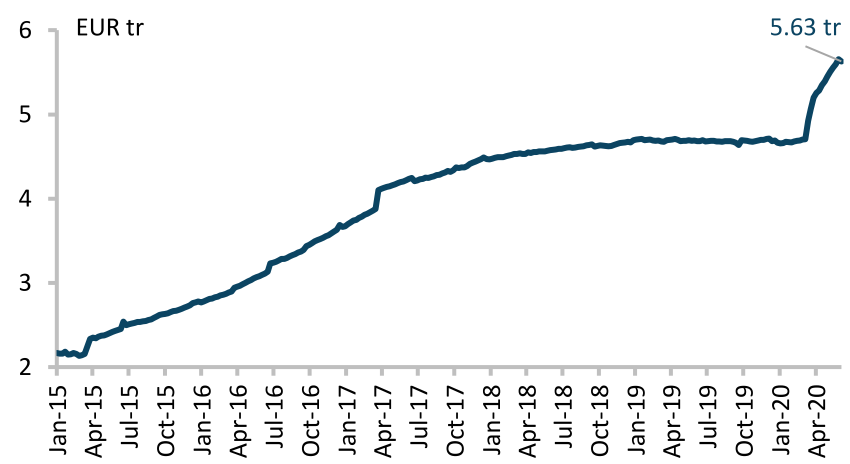
2. The monetary stance of the ECB before the Corona crisis (II)

Euro area policy rates



Sources: Macrobond, ECB

Total balance sheet ECB



Sources: Macrobond, ECB

March 2019

- Announcement of TLTRO III (targeted long term refinancing operations) with a maturity of two years. TLTROs are targeted operations linking the amount banks can borrow to their loans to non-financial corporations and households (except for house purchases). The more loans are extended the more attractive rates become for banks. Currently, this rate can be up to -1%, meaning that banks receive a premium for newly extended loans.

September 2019

- Cut of the deposit facility rate from -0.4 to -0.5% and of the interest rate on TLTRO III
- Restart of the APP (asset purchase programme) by November 2019 with a monthly volume of EUR 20 bn

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2. The monetary stance of the ECB before the Corona crisis (III)

- Given the negative deposit facility rate, the new long term refinancing operations (which replaced maturing long term refinancing facilities) and the restart of the APP, the monetary stance before the Corona crisis hit was already quite accommodative.
- Therefore, there was the perception that the ECB has run out of ammunition.
- While this perception might be right with respect to the status quo ante Corona, this does not mean that the central bank does not have any power to act, when financial conditions start to tighten due to external shocks such as the pandemic.
- The next chapter will discuss what concrete (new and existing) instruments the ECB has used to deal with the economic and financial implications of the pandemic.

➢ **Conclusion: Already very accommodative policy stance before the Corona crisis did not prevent the ECB from reacting to this new challenge**

3. Measures taken by the ECB in response to the Corona crisis

i. Key policy rates

ii. Long term refinancing operations

iii. Collateral easing measures

iv. Asset purchase programmes

v. Forward guidance

vi. International coordinated central bank action

vii. Summary of monetary policy instruments

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i. Key policy rates

- **Main challenge:** broad and unprecedented slump in demand.
- **General definition of key policy rates and reasoning for using them:** The classical policy rates of the ECB are the **main refinancing rate** (currently at 0%) and the deposit facility rate (currently at -0.5% with exemptions for a certain amount deposited by banks). Under normal circumstances, the main refinancing rate is cut when aggregate demand falls, as lower rates stimulate investment and consumer spending. The **deposit facility rate** has been cut to incentivize the extension of loans by applying a negative rate to this facility.
    - The **main refinancing rate** has been kept unchanged at first sight. However, longer term refinancing operations are offered at negative rates, as will be elaborated on the next slide. Thus, the ECB actually reacts in a classical way to the challenge of a slump in demand. However, the leeway for cutting rates seems to be limited.
    - The **deposit facility rate** seems to have touched the lower bound and has not been changed. While the negative rates acts as an incentive to extend loans, it is also a kind of tax to the banking sector and therefore a burden for banks.

➢ **Conclusion: No room for conventional policy rate cuts, as effective lower bound was already reached before the Corona crisis.**

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ii. Long term refinancing operations (I)

- **Main challenges:** banks started to tighten their credit conditions and to shorten their maturities. In addition, money markets showed some sign of stress which points to funding difficulties of banks.
- **Long term refinancing operations (LTRO) and reasoning for using them:** Non-targeted long term operations (LTRO) are used to address general funding difficulties of banks. The ECB uses also targeted long term operations (TLTRO), whose interest rates are conditional on the quantity of newly extended loans. These TLTRO are used to address the difficulty of corporates to get long term refinancing as banks are reluctant to extend such loans at reasonable prices.
  - **LTROs:** The ECB announced in March additional non-targeted longer-term refinancing operations (LTROs) to provide liquidity at favourable terms to bridge the period until the next TLTRO III operation in June 2020. This instrument is offered to address funding difficulties of banks which may otherwise occur during the time between March and June.
  - **TLTROs:** The ECB changed the conditions for (existing) targeted longer-term refinancing operations ("TLTRO III") cutting the interest rates. The interest rates are defined in reference to the average main refinancing rate and (when meeting certain loan extension targets) to the deposit facility rate. Rates were cut in two steps by 50 basis points in 2020. The main reasoning behind this is to ease the refinancing conditions for corporates and enable banks to extend longer term loans at more favourable terms. Indeed, banks get a reward for extending loans to non-financial corporates. A bank can receive up to 1% of newly extended loans from the ECB thereby. The first LTRO-tranche that was offered under these conditions was well received with a take-up by banks of EUR 1.3 tr (net: EUR 0.55 tr).

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ii. Long term refinancing operations (II)

- **PELTROs (new):** The ECB announced by the end of April so-called pandemic emergency longer-term refinancing operations (PELTROs) to provide liquidity support to money markets. These repo-facilities are not targeted. Banks have just to deliver collateral to get corresponding liquidity. Seven of those operations were announced. The interest rate is 25 basis points below the main refinancing rate. The tenors of the PELTROs are starting with 16 months and ending with 8 months. This instrument is offered to address funding difficulties of banks.

➢ **Conclusion: In addition to the extended use of already existing long term refinancing operations (both targeted and non-targeted), the ECB introduced a new type of pandemic emergency longer-term refinancing operations (PELTROs)**

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iii. Collateral easing measures (I)

- **Main challenge:** The quality of collateral assets, used to get funding from the ECB, deteriorates during recession due to rating downgrades. This means that funding conditions worsen and could provoke that banks start to sell securities which cannot be used as collateral any more or only with an unattractive haircut. This procyclical behaviour could lead to market turbulences.
- **Collateral criteria and reasoning for easing them:** The ECB has defined a list of securities which can be used as collateral for repo transactions with the ECB. For each security a certain haircut is applied, depending on the rating. Usually, non-investment-grade securities are not accepted as collateral. The reasoning for easing the conditions applied to collateral are:
    1) Increasing the pool of available collateral which avoids that banks may run out of eligible collateral to get the liquidity needed;
    2) avoiding a pro-cyclical behaviour of banks which might try to get rid of assets whose quality is deteriorating due to the Corona crisis;
    3) complementing the interest rate cuts for TLTRO III operations by adding more collateral used in repo transactions at better terms which makes the overall calculation of refinancing corresponding loans more attractive.
- On 30 April, the ECB decided to ease the use of collateral by lowering the conditions in general and especially for the use of credit claims as collateral. In addition, Greek sovereign debt instruments can now be used as collateral, even though the corresponding bonds do not have investment grade.

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iii. Collateral easing measures (II)

General measures taken

- A general reduction of collateral valuation haircuts
- A lowering of the level of the non-uniform minimum size threshold for domestic credit claims to EUR 0 from EUR 25,000 previously
- An increase, from 2.5% to 10%, in the maximum share of unsecured debt instruments issued by any single other banking group in a credit institution's collateral pool.

Expansion of the additional credit claims framework

- Accommodating the requirements on guarantees to include government and public sector guaranteed loans to corporates, SMEs and self-employed individuals and households
- Enlarging the scope of acceptable credit assessment systems used in the ACC frameworks, for example by easing the acceptance of banks' own credit assessments
- Reducing the ACC loan level reporting requirements to allow counterparties to benefit from the ACC frameworks even before the necessary reporting infrastructure is put in place.

Waiver for Greece

- The ECB introduced a waiver for marketable debt instruments issued by Greece for acceptance as collateral in Eurosystem credit operations. While this measure refers to Greece, it is clear that such an adjustment would be applied also to Italy if the country were to lose the investment grade rating in the future.

➢ **Conclusion: Easing of the conditions for the use of collateral is an important complementary measure to the refinancing operations**

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iv. Asset purchases programmes (I)

- **Main challenge:** The deep recession triggered an increase of risk aversion which could well lead to a shutdown in capital markets. The euro crisis experience of 2011/2012 has shown that a shutdown in capital markets could trigger a meltdown of the bond market (government, corporates, banks), deepening the economic crisis.
- **Asset purchase programmes (APP) and reasoning for using them:** The mandate of the ECB allows it to purchase different kind of securities, for different purposes. With the purchase of government bonds the ECB tries to bring down long term interest rates, thereby easing monetary conditions ("Quantitative Easing", QE). The purchase of corporate bonds serves to support the functioning of the corporate bond market, incentivizing investors to participate in new bond issues and bringing spreads down ("Credit Easing").
- In response to the Corona crisis the ECB has increased the **total volume of the APP programmes** to around **EUR 1,770 bn**. This is the amount of securities that the ECB has announced to purchase from March 2020 to June 2021.
- Volume wise, the **new Pandemic Emergency Purchase Programme (PEPP) programme** is the most important among the APP programmes in place, with an envelope of EUR 1,350 bn, which has been increased in June 2020. In contrast to the general APP's, the **PEPP is very flexible** as it allows front loaded purchases and changes in the composition. This enables the ECB to encounter massive spread increases, for example of Italian sovereign bonds. Lagarde emphasized this aspect saying that the ECB "will not allow any kind of fragmentation". The increased amount of purchases means that the ECB is about to purchase more public bonds and more corporate bonds. Until now, **EUR 287 bn** were purchased under the PEPP programme.

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iv. Asset purchases programmes (II)

The APP's consist of different programmes, which differ in the kind of assets which are purchased by the ECB:

- Public sector purchase programme (PSPP)
- Corporate sector purchase programme (CSPP)
- Covered bond purchase programme (CBPP)
- Asset-backed securities purchase programme (ABSPP)

The **PSPP and the CSPP account currently for 88% of total asset purchases** and are the programmes where most impact is expected.

iv. Asset purchases programmes (III)

PSPP

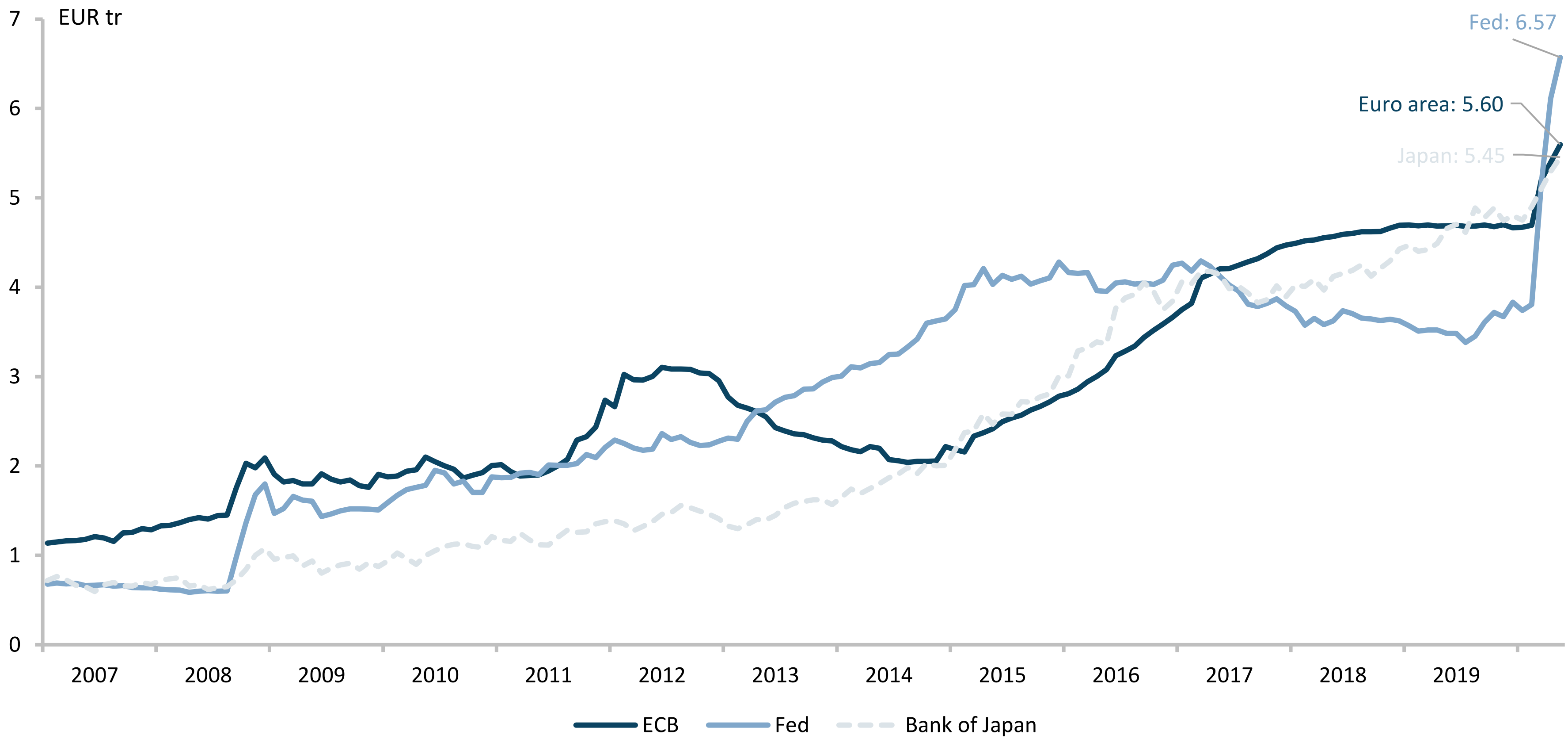
- The PSPP enables the ECB “to operate over the whole curve” (Lagarde on 30 April 2020), which means that the ECB is able to ease financial conditions for longer term bonds.
- While only investment-grade bonds are eligible for the PSPP, on 24 March 2020 the ECB decided on a waiver for Greek sovereign bonds.

CSPP

- The CSPP allows the ECB to purchase corporate bonds on the primary and the secondary market and shall encourage investors to purchase such bonds.
- The CSPP includes the purchase of non-financial commercial paper. Commercial paper with a remaining maturity of 28 days is eligible (until 18 March 2020 it has been CP with a remaining maturity of six months).

iv. Asset purchases programmes (IV)

Total balance sheets of the ECB, the Fed and the Bank of Japan



Sources: Macrobond, ECB, Fed, Bank of Japan; Note: Figures for the Fed and the Bank of Japan have been converted to Euro to allow for a better comparison.

- **Conclusion: Increase of existing APPs as well as new instruments (PEPP) drive increase in ECB balance sheet. The Fed in the US is even more aggressive.**

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iv. Asset purchases programmes (V)

Ruling of the German constitutional court

- On 5 May 2020, the German constitutional court issued a ruling with respect to the PSPP programme which is part of the so called Expanded Purchase Programme of March 2015. The ruling does not refer to the PSPP under the current PEPP programme.
- The ruling says that the ECB did not show in a comprehensible manner that the PSPP did satisfy the principle of proportionality. The court requires from the ECB to adopt “a new decision that demonstrates (…) that the monetary policy objectives pursued by the PSPP are not disproportionate to the economic and fiscal policy effect resulting from the programme.”
- If this condition had not been met within three months, the Bundesbank would no longer have been allowed to participate in the PSPP programme. Bonds already purchased would have had to be sold over the longer term.
- In early June, the ECB dealt with the issue, and send respective documents to the Bundesbank, in order to forward them to the Federal Government and the Parliament. Both Government and Parliament agreed with the conclusions of the ECB. The original plaintiffs have asked the court to make above mentioned documents public for further study (some of them are secret).
- The German constitutional court’s ruling is not in line with the ruling of the Court of Justice of the European Union, which found on 11 December 2019, that the PSPP did not exceed the ECB’s mandate. Therefore the German judgement was rendered ultra vires.
- As of now, it is unclear how this contradiction of the European law and the German law will be solved. The legal uncertainty about this issue is a certain risk to the ECB’s capacity to implement the APP’s. This is even more the case as the political party AfD has recently filed a similar complaint against the PEPP programme of the ECB.

v. Forward guidance

- **Main challenge:** Given the deepness of the crisis, there is the danger that too many investors are doubtful about the effectiveness of monetary measures. As a result the monetary steps could be indeed less effective (financial conditions could tighten for example) prolonging the crisis.
- **Forward guidance and reasoning for using it:** A central bank can use its communication tools to enforce its message by anchoring expectations about measures to be taken (or not) in the future.
  - The ECB has some forward guidance with respect to its interest rate level and for the use of its APP in place. Below some examples from a recent ECB statement:
    - "The Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics."
    - "The Governing Council continues 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 starts raising the key ECB interest rates."

➢ **Conclusion: Use of forward guidance to anchor expectations**

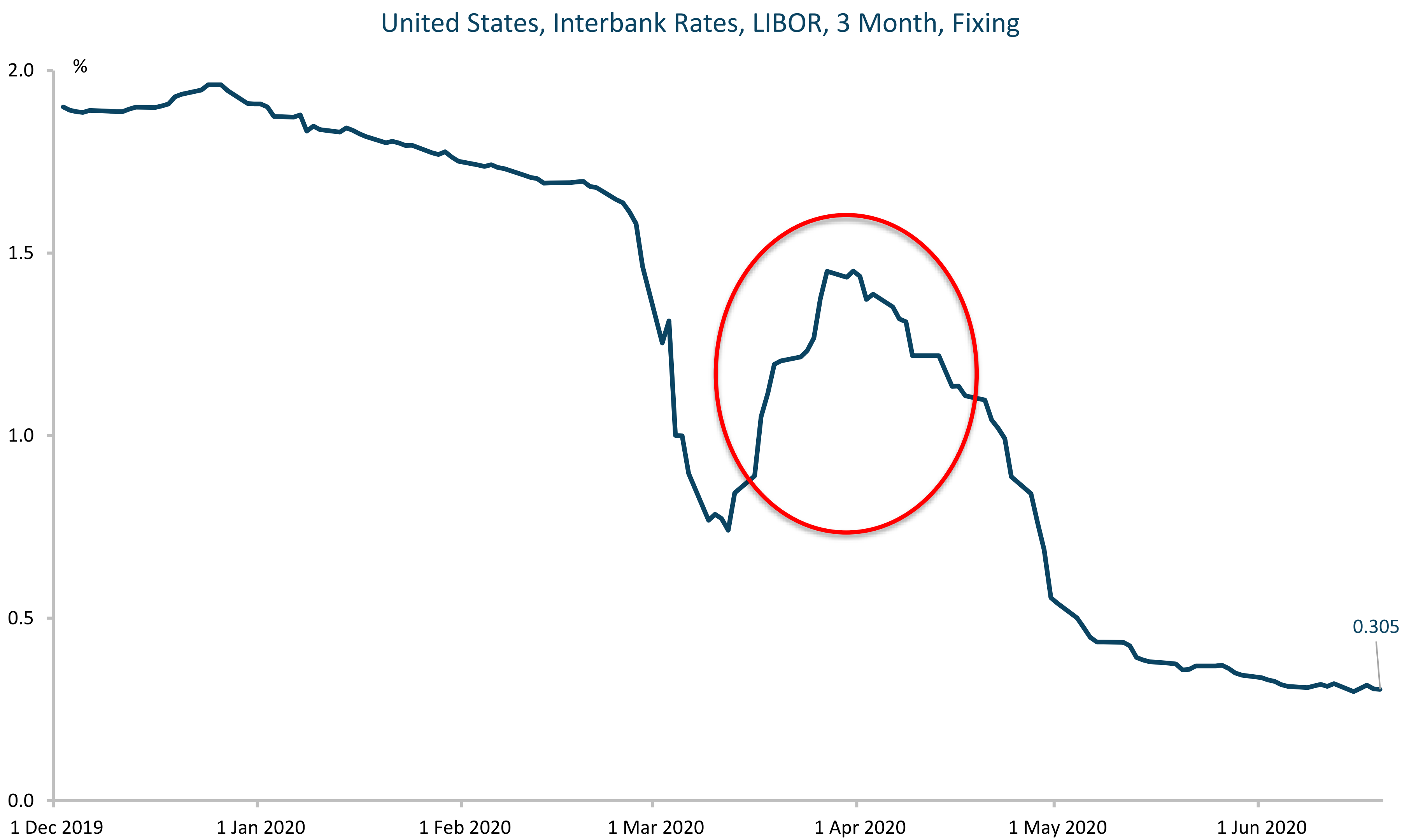
vi. International coordinated central bank action

- **Main challenge:** Tensions in the US-Dollar-funding market are witness of a lack of US-Dollar liquidity which is in demand with European banks, as a significant part of its trade and project related business is done in US-Dollar. These tensions could impede international trade and investment projects and lead to more stress in the banking sector, thereby deepening the economic crisis. In addition, there are countries outside the euro area in need of Euro liquidity.
- **International coordinated central bank action and reasoning for using it:** While central banks could coordinate in several areas, the most common is to agree on swap lines, thereby enabling one central bank to extend liquidity loans in the currency of the other central bank. With this measure, tensions in the corresponding money market can be reduced.

  - The ECB, the US-Federal Reserve, the Bank of Japan, the Bank of England, the Swiss National Bank and the Bank of Canada announced on 15 March/20 March changes in the already existing arrangement of a standing US dollar liquidity swap line.
  - 15 March: "ECB and other major central banks to offer weekly US dollar operations with 84-day maturity in addition to existing 1-week operations."
  - 20 March: "ECB and other major central banks to offer 7-day US dollar operations on a daily basis."
  - April 15: "ECB and Central bank of Croatia set up swap line to provide euro liquidity."
April 22: "ECB and Bulgarian Central Bank set up swap line to provide euro liquidity."

➢ **Conclusion: International coordinated central bank action important to address funding stress in major reserve currencies**

vi. International coordinated central bank action



Sources: Macrobond, ICE

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vii. Summary of monetary policy instruments

Pre-corona instruments	Easing during the crisis	New instruments
Key policy rates incl. negative deposit facility rate	No	
LTRO/TLTRO	YES	Pandemic emergency longer-term refinancing operation (PELTRO).
Collateral measures	YES	
APP	YES	Pandemic Emergency Purchase Programme (PEPP) with more flexibility.
Forward guidance	YES	
International coordinated actions	YES	

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4. Further hypothetical measures

i. Including institutions other than banks as counterparties

ii. Use of the OMT programme

iii. Helicopter money

iv. Government bond purchases on the primary market

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4. Further hypothetical measures (I)

i. Including institutions other than banks as counterparties

As of now only banks are counterparties for the repo transactions of the ECB. What could happen is that non-banks get into difficulties to get liquidity from banks, thereby driving money markets higher. If non-banks were allowed to participate in repo transactions with the ECB the central banks would have more possibilities to smooth the market. However, as non-banks commercial paper can be purchased by the ECB (it‘s part of the CSPP) the need for such a reform does not look urgent. Asked for such a reform, ECB president Lagarde said on 30 April 2020: „We are open-minded to all possibilities.“

ii. Use of the OMT programme

The outright monetary transaction (OMT) programme was enacted in 2012 during the euro crisis, but never actually used. The OMT provides the possibility that the ECB purchases government bonds of countries which have applied for the European Stability Mechanism. The announcement of the OMT programme was very effective in bringing down the spreads of peripheral sovereign bonds. However, it looks as if this time, the PEPP would be used if spreads of peripheral sovereign bonds would jump into critical territory. The ECB emphasized that the PEPP will be used in a very flexible manner and could be adjusted anytime with respect to its volume, its length and (very important in this context) in its composition.

4. Further hypothetical measures (II)

iii. Helicopter money

Helicopter money may be considered as an instrument if euro area ran into sustained deflation which could lead to a downward spiral of increasing real debt, insolvencies and shrinking production. Helicopter money is central bank money which is printed with the intent to spend it and thus this instrument has to be combined with fiscal action. One popular idea is to distribute spending vouchers to private households.

ECB President Lagarde said in a letter on 21 April 2020: “The Governing Council has never discussed the issue of helicopter money. Hence, the ECB has not adopted a formal position on the matter.“ While there may be indirect ways to implement helicopter money (for example by offering banks negative interest rates on refinancing operations under the condition to pass through part of the interest rate gain to consumers where consumers get money by borrowing money), the proximity to fiscal spending looks risky for the ECB. The ECB could lose its political independence in the process.

iv. Government bond purchases on the primary market

Primary market government bond purchases may be considered if capital market tensions led to a buyers strike on bond markets. The statute does allow the ECB to purchase government bonds only on the secondary market. While in economic terms the difference is not so significant, the explicit purchase on the primary market would be forbidden in legal terms (Maastricht treaty, Article 123). Thus, this measure does not look to be an option and instead secondary market purchases should do the trick as well (as it did in 2012).

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5. Conclusions on the ECB‘s policy reaction

- The ECB has taken various measures to contain the economic crisis and avoid a morphing of the economic crisis into a financial crisis.
- As the conventional policy space seems already exhausted, the ECB relied mainly on its unorthodox toolkit, which was introduced during the Euro crisis
- This includes the extended use of already existing instruments, as well as the introduction of new measures
- While one could try to put an order to the measures according to their relative importance, it looks rather that the measures work mainly in combination and in a complementary way.
- The TLTROs, which are the most targeted tool to let the credit flow and support the real sector, would probably not work without the new asset purchases programme (PEPP), which provides for lower corporate bond spreads and less risk of financial market segmentation. At the same time, the collateral easing measures help to minimize pro-cyclical behaviour of banks and to ensure that banks can meet the liquidity demands of their clients. Key policy rates and forward guidance help to ease monetary conditions.

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6. Implications for emerging markets (I)

From a viewpoint of emerging markets, we can draw two main lessons from the ECB experience so far:

1) **Loose monetary conditions in the euro area imply benign external environment**

- The overall result of the ECB's actions helped stop the tightening of monetary and financial conditions in the euro area, which remain much more relaxed than during the 2008/2009 crisis and the Euro crisis of 2012 (see next slide).
- Furthermore, the ECB has stated that it is willing and able to act further if required
- This loose stance implies a very benign external environment and allows EM central banks to loosen their policies to fight the crisis, if the domestic situation allows for it

2) **Use of domestic monetary policy instruments**

- A main difference between the ECB and the majority of EM central banks is the policy space available
- As discussed, the ECB's conventional toolkit was already exhausted with policy rates at (or below) zero; therefore, the unorthodox toolkit was developed and extended
- In EM, there is still significant room for policy rate cuts, as long as inflation is in check and financial stability not under threat (capital outflows)

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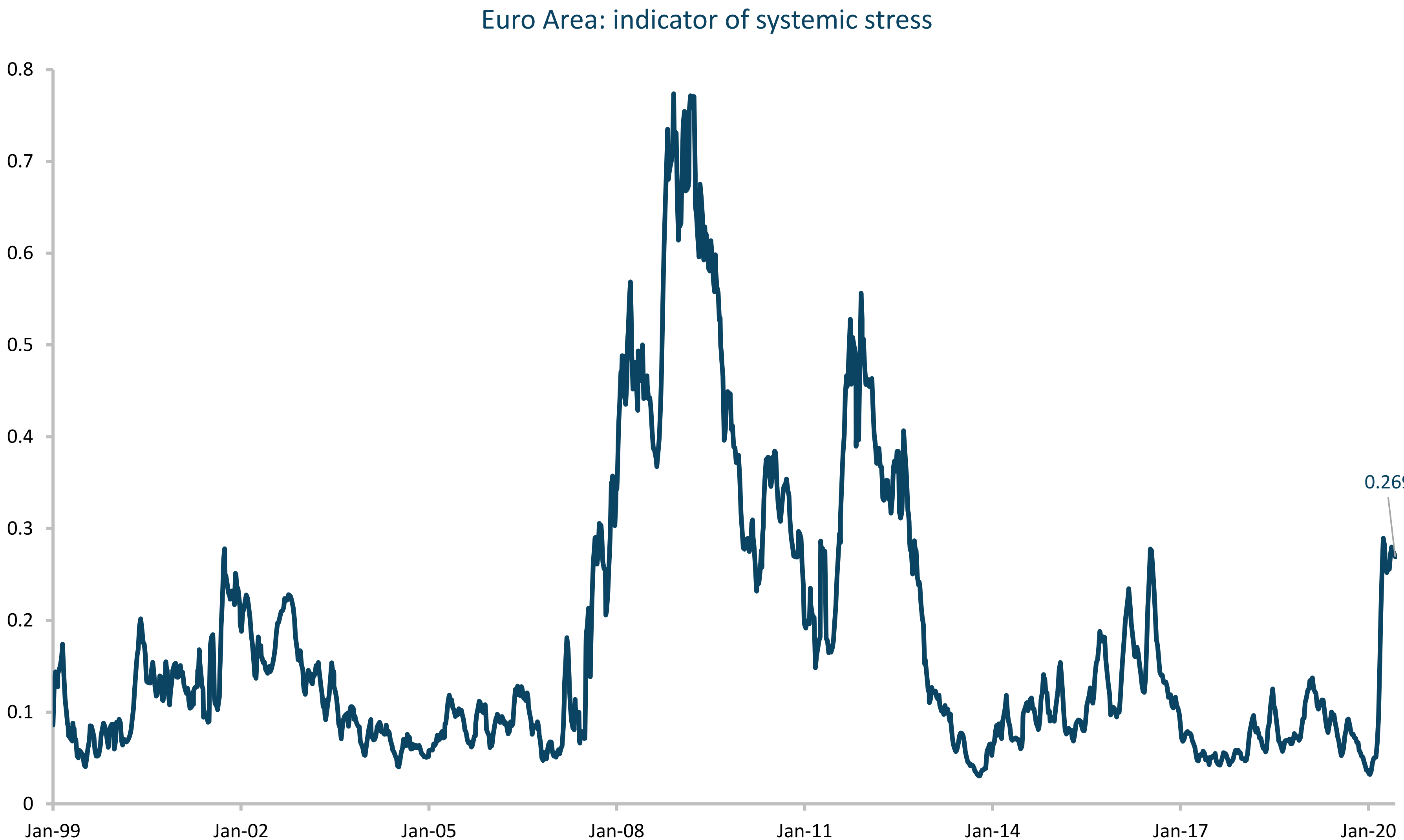
Indicator of systemic stress in euro area



Sources: Macrobond, ECB; Note: composite index, five day average

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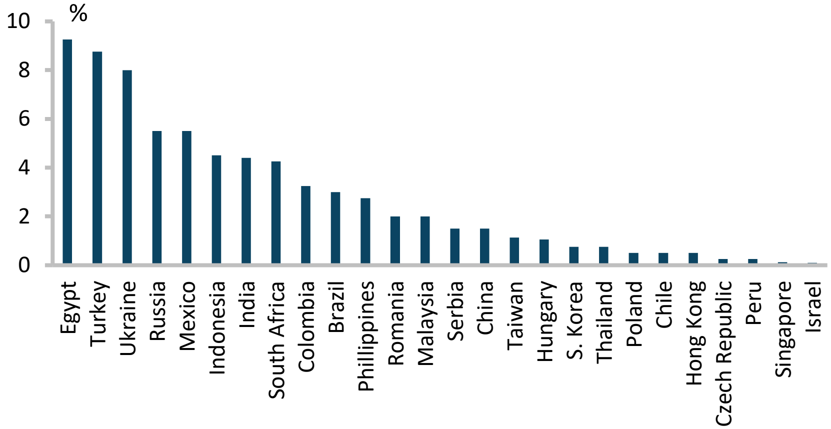
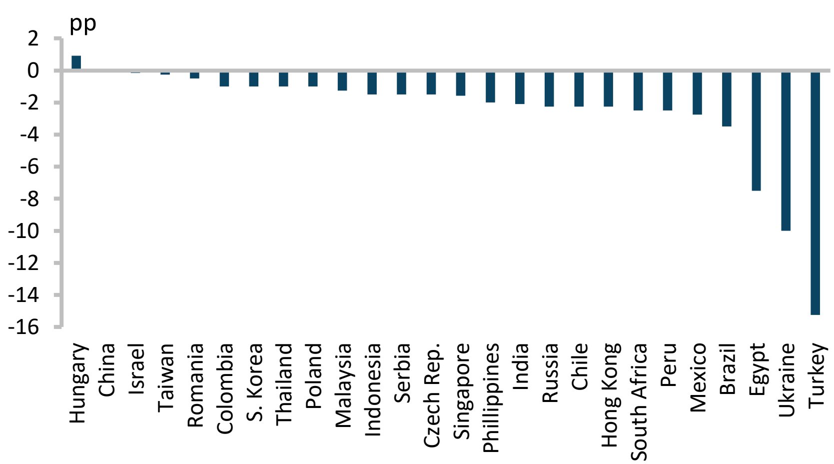
6. Implications for emerging markets (II)

Policy rates across emerging markets



Sources: National sources, Deutsche Bank, Bloomberg

12m change in policy rates in emerging markets



Sources: National sources, Deutsche Bank, Bloomberg

- Indeed, the use of **policy rates** to stimulate the economy during the crisis has been used by the vast majority of EM central banks; this is the main instrument of choice
- Further instruments used include **longer term refinancing operations** (LTRO)
- Some more advanced EM central banks with high credibility and very low policy rates (e.g. certain CEE central banks) also introduced some elements of **"Quantitative Easing"**, following the steps of the ECB and other central banks in developed markets
- However, this is **not without risks**, as e.g. asset purchase programmes, especially with respect to government bonds, could lead investors to distrust this as a way of monetary financing of budget deficits bringing the **exchange rate under pressure**, increasing **inflationary pressures** and **destabilizing the economy**

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Annex 1: Time line of ECB decisions after the Corona outbreak (I)

Date	Action(s)
23 Jan	**Regular monetary policy meeting: No change** No change in policy rates, net asset purchases of 20 bn Euro/months are continued For details, click here.
12 Mar	**Regular monetary policy meeting: First reaction** • Additional LTRO • Additional APP of 120 bn Euro • Interest rate cut for TLTRO III operations by 25 basis points For details, click here.
15 Mar	**Coordinated central bank action: Combating dollar funding stress** ECB and other major central banks are going to offer weekly US dollar swap operations with 84-day maturity in addition to existing 1-week operations For details, click here.
18 Mar	**Monetary policy decision out of the regular schedule: Increasing the APP** • PEPP: Pandemic Emergency Purchase Programme. Bond purchases amounting to 750 bn Euro will be conducted until the end of 2020 • PEPP will allow for fluctuations in the distribution of purchase flows over time, across asset classes and among jurisdictions. • Commercial paper: non-financial commercial paper could have a remaining maturity of 29 days to 365 days to be eligible (before: 6 months) For details, click here.

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Annex 1: Time line of ECB decisions after the Corona outbreak (II)

Date	Action(s)
20 Mar	**Coordinated central bank action: Still combating dollar funding stress** The ECB and other major central banks are going to offer daily US dollar swap operations with 7-day maturity in addition to existing operations For details, click here.
24 Mar	**Monetary policy decision out of the regular schedule: Making PEPP more flexible, helping peripheral euro countries** PEPP: Under the PEPP programme, it is possible to purchase more than 33% of the bonds of any country's debt and of any single issue For details, click here.
7 Apr	**Monetary policy decision out of the regular schedule: collateral easing measures** • Expansion of the use of additional credit claims (ACC) as collateral to facilitate bank funding against loans to corporates and households • General reduction of collateral valuation haircuts by a fixed factor of 20% • Waiver for Greek sovereign bonds with respect to their non-investment grade rating For details, click here.
22 Apr	**Monetary policy decision out of the regular schedule: Mitigating rating downgrades** The ECB will grandfather the eligibility of marketable assets used until September 2021 as collateral in Eurosystem credit operations falling below current minimum credit quality requirements For details, click here.

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Annex 1: Time line of ECB decisions after the Corona outbreak (III)

<table>
<tr><th>Date</th><th>Action(s)</th></tr>
<tr><td>30 Apr</td><td>Regular monetary policy meeting: Further rate cuts to TLTRO
PELTROs: New series of long term refinancing operations, non-targeted, to support liquidity situation
Further interest rate cut to TLTRO III by 25 basis points
PEPP: Emphasizing the flexibility with which the PEPP can be used with respect to time, asset classes and jurisdictions
For details, click here.</td></tr>
<tr><td>4 Jun</td><td>Regular monetary policy meeting: Increase of the PEPP programme and extension of its horizon
PEPP: Increase from 750 bn Euro to 1,350 bn Euro. Time horizon was extended from December 2020 to at least June 2021.
For details, click here.</td></tr>
</table>

About the German Economic Team

The German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Georgia and Uzbekistan regarding the design of economic policy reform processes and a sustainable development of the economic framework. As part of the project we also work in other countries on selected topics.

In a continuous dialogue with high-level decision makers of the project countries, we identify current problems in economic policy and then provide concrete policy recommendations based on independent analysis.

In addition, GET supports German institutions in the political, administrative and business sectors with its know-how and detailed knowledge of the region's economies.

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