BOX 1: CHRONOLOGY OF ECB MONETARY POLICY DECISIONS IN 2023

2 February

Against the background of persistently elevated inflationary pressures, the Governing Council of the ECB decided to raise the three key interest rates further, by 50 basis points. Accordingly, the interest rate on the deposit facility was raised to 2.50%, while the interest rates on the MROs and the marginal lending facility were raised to 3.00% and 3.25%, respectively. In view of underlying inflationary pressures, the Governing Council announced its intention to raise rates further in March 2023, but reiterated that its future policy rate decisions would continue to be data-dependent and follow a meeting-by-meeting approach.

The Governing Council also decided on the modalities for reducing the Eurosystem's holdings of securities under the APP. More specifically, the Governing Council restated that these holdings would decline at an average monthly pace of €15 billion between March and the end of June 2023. The subsequent pace of portfolio reduction will be determined over time.

As regards the PEPP, the Governing Council reiterated its intention to reinvest the principal payments from maturing securities purchased under the programme until at least the end of 2024. The future roll-off of the PEPP portfolio would be managed to avoid interference with the appropriate monetary policy stance. Redemptions coming due in the PEPP portfolio were being reinvested flexibly, to counter risks of fragmentation in the monetary policy transmission mechanism.

As to refinancing operations, the Governing Council stated that since banks were repaying the amounts borrowed under TLTRO III, it would regularly assess how targeted lending operations were contributing to its monetary policy stance.

The Governing Council reaffirmed that it stood ready to adjust all of its instruments within its mandate to ensure that inflation returned to its 2% target over the medium term. It recalled that the Transmission Protection Instrument was available to ensure that the monetary policy stance was transmitted smoothly across all euro area countries. This would allow the Governing Council to more effectively deliver on its price stability mandate.

16 March

The Governing Council decided to raise the three policy interest rates by an additional 50 basis points so that the interest rates on the deposit facility, the MROs and the marginal lending facility reached 3.00%, 3.50% and 3.75%, respectively.

In view of the recent emergence of market tensions triggered by bank failures in the United States, the Governing Council stated that it was monitoring the situation closely and stood ready to respond as necessary to preserve price stability and financial stability in the euro area.

4 May

In light of the ongoing high inflation pressures, the Governing Council decided to raise the three key ECB interest rates by 25 basis points. Thus, the interest rates on the deposit facility, the MROs and the marginal lending facility went up to 3.25%, 3.75% and 4.00%, respectively.

Regarding the APP portfolio, the Governing Council said that it expected to discontinue the reinvestments as of July 2023.

15 June

The Governing Council considered that although inflation was declining, it was projected to remain too high for too long. Accordingly, the Governing Council decided to hike the three policy interest rates by an additional 25 basis points. Hence, the interest rates on the deposit facility, the MROs and the marginal lending facility were raised to 3.50%, 4.00% and 4.25%, respectively.

The rate increase reflected the Governing Council's updated assessment of the inflation outlook, the dynamics of underlying inflation, and the strength of monetary policy transmission.

The Governing Council observed that its past rate increases were being transmitted forcefully to financing conditions and were gradually having an impact across the economy.

Regarding the APP, the Governing Council reiterated that it would discontinue reinvestments under this programme as of July 2023.

27 July

The Governing Council decided to raise the three key ECB interest rates by 25 basis points. Thus, the interest rates on the deposit facility, the MROs and the marginal lending facility reached 3.75%, 4.25% and 4.50%, respectively.

The Governing Council also decided to set the remuneration of minimum reserves at 0% with effect from the beginning of the reserve maintenance period starting on 20 September 2023.

14 September

Although inflation continued to decline, it was still expected to remain too high for too long. Accordingly, the Governing Council decided to hike the three policy interest rates by an additional 25 basis points so that the interest rates on the deposit facility, the MROs and the marginal lending facility were increased to 4.00%, 4.50% and 4.75%, respectively.

The Governing Council considered that the key ECB interest rates reached levels that, maintained for a sufficiently long duration, would make a substantial contribution to the timely return of inflation to the target.

26 October

The Governing Council decided to keep the three key ECB interest rates unchanged and stated that its future decisions would ensure that policy rates would be set at sufficiently restrictive levels for as long as necessary.

Inflation was still expected to stay too high for too long, and domestic price pressures remained strong. Meanwhile, inflation fell notably in September, and most measures of underlying inflation had continued to ease. The Governing Council's past interest rate increases continued to be transmitted forcefully into financing conditions. This was increasingly dampening credit demand and thereby helping to push down inflation.

14 December

The Governing Council decided to keep the three key ECB interest rates unchanged. While inflation had dropped in recent months, it was likely to pick up again temporarily in the near term. Although underlying inflation had eased further, domestic price pressures remained elevated, primarily owing to strong growth in ULCs.

The Governing Council said that it would continue to follow a data-dependent approach in determining the appropriate level and duration of a restrictive monetary policy stance.

The Governing Council also announced further steps in the normalisation of the Eurosystem balance sheet. It stated that it intended to continue to reinvest, in full, the principal payments from maturing securities purchased under the PEPP during the first half of 2024. Over the second half of that year, the PEPP portfolio was expected to decline by €7.5 billion per month on average. The Governing Council intended to discontinue reinvestments under the PEPP at the end of 2024.