

## Macro Focus

### ECB comment: Emergency Purchases until June 2021

- ▶ The ECB boosts and prolongs its bond purchase programme with 600 bn euros
- ▶ The central bank forecasts inflation to remain below target for a long time

The European Central Bank today delivered what markets had expected, and maybe even a little bit more. The central bank prolonged its Pandemic Emergency Purchases Programme until June 2021, as we had expected. At the current rate of purchase, the programme would have run out already in October this year, which had started to worry markets even if Christine Lagarde already earlier emphasized the open-endedness of the programme. To stop this worry, the ECB today added 600 bn euros to the programme, but without adding to the current rate of purchases, only by prolonging it. The PEPP, together with the other asset purchase programmes, add up to monthly purchases close to 150 bn euros. Now the ECB announced that the largest chunk of these purchases will run at least for one more year. This should help to calm market worries of an abrupt ECB exit.

ECB staff revised down its projections for GDP, but stayed away from the worst numbers that had circulated. GDP is expected to shrink with 8,7 % in 2020, compared to the Swedbank forecast that is -6,9 %, so a bit more pessimistic, but in no way absolute gloom. The rebound will be large in 2021, but not as large as the drop.

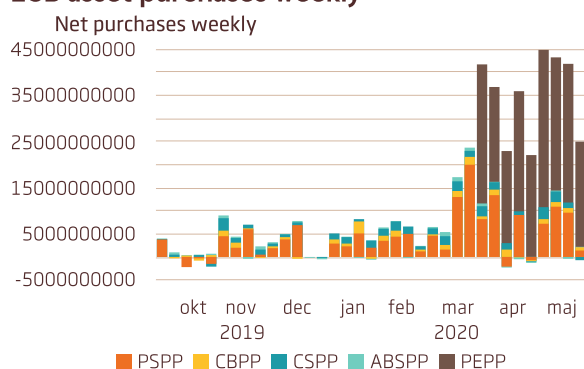
Deflation risks were again highlighted, even more than before, and the ECB gave the impression that the inflation outlook is very much in focus in its policy. The ECB does not expect a return to inflation target even in 2022, which means that monetary tightening is not on the medium term horizon.

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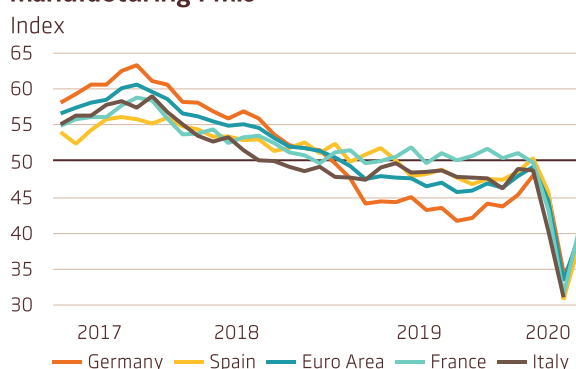
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#### ECB asset purchases weekly



Sources: Swedbank Research & Macrobond

#### Manufacturing PMIs



Sources: Swedbank Research & Macrobond

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