

HOW THE ECB LEARNED TO LOVE PROPORTIONALITY

**Redburn 2020 Financials Conference
Accelerating Change**

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Central banks scrutinised – broader power, more accountability

- Growing multiplicity, complexity and difficulty of roles
- Massive balance sheet expansion - enhanced open market actions
- Blamed for not spotting crisis – but rewarded with greater powers
- Extended beyond ‘lender of last resort’ into financial stability remit
- National / global firefighters – exposed to media, politics, electorates
- Greater interaction with and repercussions from fiscal policy
- Greater financial reputation and operational risks
- Pressure on independence from widening of mandates

Moving with the flows - how ECB adapts vocabulary

Use of key words in accounts of ECB Governing Council meetings – Jan 2015-June 2020 (45 meetings)						
	2015 (8)	2016 (8)	2017 (8)	2018 (8)	2019 (8)	2020 Jan-June (5)
Average 'account' length in words	7,600	7,000	6,500	5,400	6,100	7,300
Accommodative, accommodating	51	49	76	54	79	46
Anchoring, unanchoring	25	6	13	8	9	5
Bubble	0	1	0	0	0	0
Capital key	3	1	5	4	0	9
Coronavirus, Covid-19	0	0	0	0	0	116
Costs and benefits	3	1	0	0	0	3
Fiscal	69	63	21	53	76	65
Forward guidance	11	24	83	62	97	11
Inflation	540	473	649	491	626 ¹	252

¹References to capital key wax and wane over six years

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	2015 (8)	2016 (8)	2017 (8)	2018 (8)	2019 (8)	2020 Jan-June (5)
Issue (share), issuer, self-imposed limits	20	7	1	0	0	4
Mandate	15	17	3	0	0	17
Monetary financing	3	0	0	0	0	5
Moral hazard	2	0	0	0	0	0
Proportionate, proportionality	2	1	0	0	1	9
Risk	201	174	218	169	186	174
Savers, savings	1	22	9	2	2	10
Side-effect(s)	10	8	0	0	0	8
Stimulus	19	19	15	26	25	15
'Zombie' (lending to unviable companies)	0	0	0	0	0	1

‘First-ever reference to zombie loans in 2020, ‘proportionality’ enters vocabulary