

Economics

ECB Officials Expect Heated June Decision on Crisis Program

By [Carolynn Look](#)

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- ▶ Policy makers are split on how soon to ease bond purchases
 - ▶ Outcome will influence whether program is ultimately expanded
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The European Central Bank (ECB) headquarters, right, and skyscrapers near the River Rhine at sunset in the financial district in Frankfurt, Germany, on Tuesday, April 20, 2021. *Photographer: Alex Kraus/Bloomberg*

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European Central Bank policy makers expect a difficult discussion at the next monetary policy meeting in June over whether to start slowing their emergency bond-buying program, according to officials familiar with internal deliberations.

While the Governing Council’s session this week was calm, resulting in no change to policy, talks on June 10 will be much more complicated and could be heated, the officials said, asking not to be identified.

Some members are ready to argue that the pandemic emergency purchase program should start being scaled back in the third quarter as the economy is likely to stage a strong recovery from the pandemic in the second half of the year. That would keep the total size of bond-buying within the 1.85 trillion euros (\$2.2 trillion) currently envisaged.

Others want a more cautious approach that doesn’t commit the ECB to staying within that amount, giving it more freedom to respond to any further economic weakness.

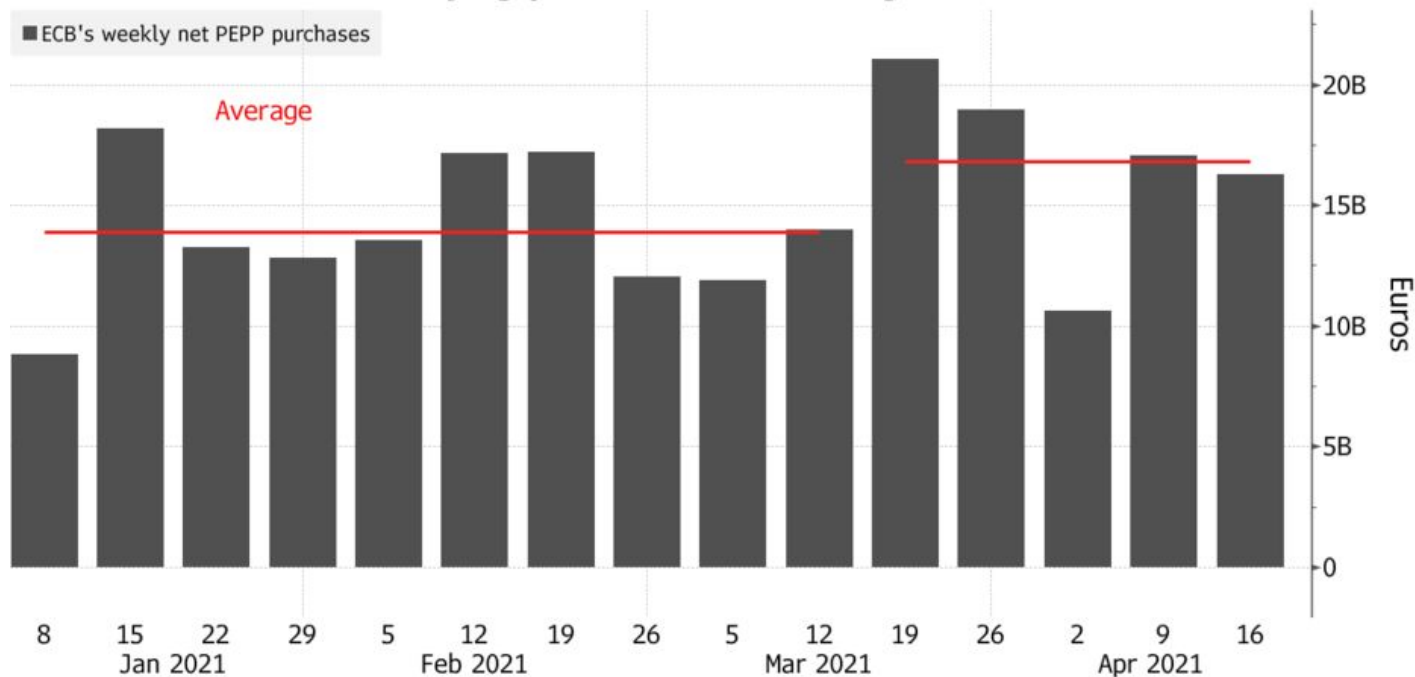
An ECB spokesman declined to comment. Italian bonds reversed gains on the report, pushing 10-year yields up one basis point to a day-high 0.77%

ECB President Christine Lagarde said on Thursday after the latest policy decision that the matter hasn’t been formally discussed because it would be “premature.”

The central bank has so far spent almost 1 trillion euros under the pandemic program. It decided in March to ramp up the pace of buying “significantly” to shield the region from higher global borrowing costs that are spilling over from the faster U.S. recovery.

Since then, net purchases have averaged 17 billion euros a week, a figure that likely understates the actual pace due to this month’s Easter holidays, from about 14 billion euros a week at the start of the year.

Stimulus Push ECB increased its bond-buying pace at March meeting



Source: ECB

Some officials argued at the March meeting for an even faster pace of purchases, the officials said. On Thursday, the ECB said it'll keep buying at current levels through the end of this quarter.

Should it opt to maintain that pace for the next quarter as well, policy makers will face a difficult choice later this year. They can either taper purchases quite steeply to ensure the program stays within the current size, risking market volatility, or they can choose to extend and expand the program again.

That makes June a key meeting, and the nascent signs of tension threaten to reopen longstanding differences of opinion within the Governing Council over how much monetary support is appropriate for the 19-nation euro zone.

In this crisis, economically stronger countries such as Germany and France have relied on resilience in the manufacturing sector to cushion the pandemic shock. For nations more reliant on tourism and services, it still isn't clear how much activity will be able to bounce back this year.

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Dutch central-bank Governor Klaas Knot recently argued that the ECB could begin a gradual phasing out of emergency purchases in the third quarter if current expectations for the rebound are confirmed.

Asked about that proposal in her press conference on Thursday, Lagarde said that the ECB will next determine the pace of purchases in June, when it has updated economic projections.

– *With assistance by Greg Ritchie*

(Updates with market reaction in fifth paragraph.)