



EUROPEAN CENTRAL BANK
EUROSYSTEM



ECB's monetary policy strategy review

Banco de Portugal's listening event for civil
society organisations

I. Event overview

On 29 January 2021, in the context of the ECB's "monetary policy strategy review", the Banco de Portugal hosted a listening event for representatives from civil society organisations.

The event took place in the form of a webinar and brought together fifteen representatives from different organisations, including trade unions, consumer and environmental organisations, employers' associations and foundations.

The Banco de Portugal was represented by the Governor, Mário Centeno, and the Head of the Economics and Research Department, Nuno Alves, who introduced the subject and shared their expectations for the event. The moderator was the Head of the Communication and Museum Department, Bruno Proença.

All those present had the opportunity to express their views on the monetary policy of the European Central Bank and the role of Banco de Portugal in this matter.

II. Main topics discussed

1. Monetary policy objectives

Most participants stressed that the ECB has been both successful in fulfilling its mandate to maintain price stability and decisive in safeguarding European stability in response to crises. Francisco Assis Miranda, President of CES, noted that over the last 10 years the conduct of monetary policy has made the greatest contribution to strengthening the European Union.

With regard to monetary policy objectives, António Saraiva, President of CIP, argued that the ECB should not set priorities and objectives beyond its price stability mandate. Francisco Menezes, President of the CTP, also considered that safeguarding price stability should be the main task of the ECB.

Tiago Cunha, from the Research Office of the CGTP-IN, and Ana Bernardo, Deputy Secretary General of the UGT, argued that employment should be one of the priority objectives of monetary policy.

According to Alexandra Azevedo, Vice-President of QUERCUS, monetary policy should take account of environmental and social issues.

With regard to the definition of the price stability objective, João Maia, Director General of APICCAPS, suggested that the ECB set a target higher than the current one or establish an inflation range for several years. He also argued that the ECB's monetary policy should be coordinated with what is being done in other countries (such as the United States, the United Kingdom and Japan).

As for the indicator used to measure inflation, some participants suggested a revision of the HICP, in particular to reflect own housing costs. In this regard, Francisco Lima, President of the Board of Statistics Portugal, pointed out that the HICP is a statistical measure, not a policy instrument or a policy in itself.

2. Monetary policy instruments

Mr Saraiva noted that the ECB should reject calls to prioritise “green” private assets in its purchases, which would introduce objectives falling outside its sphere of competence and create greater asymmetries across Member States.

Vinay Pranjivan, senior economist at DECO, considered that the ECB's monetary policy instruments should favour sectors and firms with sustainable behaviour.

In Mr Cunha's view, the ECB's asset purchase programme should be revised given that it potentially contributes to increasing inequalities. Priority should be given to instruments targeting SMEs. Luís Ribeiro, President of the AEP, considered that monetary policy instruments should go beyond bank loans and promote firms' financing/capitalisation instruments.

3. Main economic expectations and concerns

The pandemic and the ensuing economic and social consequences emerged as the main concerns of the participants.

Isabel Mota, President of the Calouste Gulbenkian Foundation, pointed out that policymakers, including central banks, must take into account the increase in poverty and inequalities that have been magnified in Europe amid the pandemic, as well as more structural issues such as demographics. Ms Mota also expressed concern about the impact on savings and pension funds of the maintenance of very low interest rates for an extended period of time.

For Ms Bernardo, it should be borne in mind that the challenges of economic and social recovery vary across Member States, given the different starting points and the differentiated impacts of the crisis. She also considered it important to strengthen regulation in non-bank segments of the financial system and to monitor the associated risks.

Mr Menezes stressed the importance of the evolution of the exchange rate of the euro for the recovery of the European economy.

Several participants considered the alignment between monetary policy and fiscal policy in the near future to be critical, namely how the European Union will approach the various countries' fiscal consolidation processes. There was also concern about the impacts of moratoria on banks' NPLs and, consequently, on their lending ability going forward.

In the opinion of Jorge Portugal, Director General of COTEC, one must not dismiss the medium to long-term perspective and the structuring role of innovation in the resilience and buoyancy of firms and economies. The ECB should contribute to set out a long-term view of the European Union's economic development.

Gonçalo Matias, Head of the research area of the Francisco Manuel dos Santos Foundation, considered that the European ‘bazooka’ is instrumental in supporting European recovery, but there are still risks of obstacles/limitations to its use by some countries and institutions. These risks need to be eliminated.

4. How to improve the communication of the ECB and the Banco de Portugal

Several participants considered it important for the ECB and the Banco de Portugal to continue to host these types of listening event with such audiences.

Francisco Silva, Secretary General of CONFAGRI, mentioned that the Banco de Portugal is still a distant entity and that the communication policy should make an effort to bring it closer to the citizens.

Mr Lima mentioned the need to continue to promote economic literacy in Portugal, including to explain what a central bank does and what monetary policy is.

Mr Pranjivan suggested that, at key moments of ECB policy measure announcements, communication be accompanied by a literacy action to help the message reach consumers (using simple language and channels such as social media).

III. Annex

Webinar with civil society representatives, 29 January 2021, 10:00-12:30

List of participating organisations:

- AEP – Associação Empresarial de Portugal (Chamber of Commerce and Industry)
- APICCAPS – Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos (Portuguese Footwear, Components, Leather Goods Manufacturers' Association)
- CES – Conselho Económico e Social (Economic and Social Council of Portugal)
- CGTP-IN – Confederação Geral dos Trabalhadores Portugueses – Intersindical Nacional (General Confederation of Portuguese Workers)
- CIP – Confederação Empresarial de Portugal (Confederation of Portuguese Business)
- CONFAGRI – Confederação Nacional das Cooperativas Agrícolas e do Crédito Agrícola de Portugal (National Confederation of the Agricultural Cooperatives and Agricultural Credit of Portugal)
- COTEC Portugal – Associação Empresarial para a Inovação (Business Association for Innovation)
- CTP – Confederação do Turismo Português (Portuguese Tourism Confederation)
- DECO – Associação Portuguesa para a Defesa do Consumidor (Portuguese Association for Consumer Protection)
- Calouste Gulbenkian Foundation
- Francisco Manuel dos Santos Foundation
- INE – Instituto Nacional de Estatística (Statistics Portugal)
- QUERCUS – Associação Nacional de Conservação da Natureza (National Association for Nature Conservation)
- SCML – Santa Casa da Misericórdia de Lisboa
- UGT – União Geral dos Trabalhadores (General Workers' Union)