

Press release

8 July 2021

ECB's Governing Council approves its new monetary policy strategy

- New strategy adopts symmetric 2% inflation target over medium term
- Governing Council confirms that HICP remains appropriate price measure and recommends inclusion of owner-occupied housing over time
- New monetary policy strategy is result of thorough review launched in January 2020
- Governing Council approves ambitious climate change action plan

The Governing Council of the European Central Bank (ECB) has today published its new monetary policy strategy, which it has set out in a [monetary policy strategy statement](#).

The Governing Council considers that price stability is best maintained by aiming for a 2% inflation target over the medium term. This target is symmetric, meaning negative and positive deviations of inflation from the target are equally undesirable. When the economy is operating close to the lower bound on nominal interest rates, it requires especially forceful or persistent monetary policy action to avoid negative deviations from the inflation target becoming entrenched. This may also imply a transitory period in which inflation is moderately above target.

The Governing Council also confirmed that the set of ECB interest rates remains the primary monetary policy instrument. Other instruments, such as forward guidance, asset purchases and longer-term refinancing operations, that over the past decade have helped mitigate the limitations generated by the lower bound on nominal interest rates will remain an integral part of the ECB's toolkit, to be used as appropriate.

"I am happy to announce that the Governing Council yesterday approved the ECB's new monetary policy strategy. While taking the ECB's primary mandate of price stability as a given, the review has allowed us to challenge our thinking, engage with numerous stakeholders, reflect, discuss and reach common ground on how to adapt our strategy. The new strategy is a strong foundation that will guide

European Central Bank

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us in the conduct of monetary policy in the years to come,” said Christine Lagarde, President of the ECB.

The Governing Council confirmed that the Harmonised Index of Consumer Prices (HICP) remains the appropriate measure for assessing price stability. However, it recognises that the inclusion of the costs related to owner-occupied housing in the HICP would better represent the inflation relevant for households and that the inclusion of owner-occupied housing in the HICP is a multi-year project. So in the meantime, the Governing Council in its monetary policy assessments will take into account inflation measures that include initial estimates of the cost of owner-occupied housing to supplement its set of broader inflation measures.

The Governing Council acknowledged that climate change has profound implications for price stability and, accordingly, it has committed to an ambitious climate-related action plan. A dedicated [press release](#) has been published today.

The first regular monetary policy meeting of the Governing Council applying the new strategy will be held on 22 July 2021. The Governing Council intends to assess periodically the appropriateness of its monetary policy strategy, with the next assessment expected in 2025.

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Notes

- The Governing Council conducted a previous **strategy review in 2003**.
- The new strategy that is being announced today follows a thorough review, which was **launched on 23 January 2020**. Over the last 18 months, the Governing Council has held numerous seminars, presentations, discussions and meetings dedicated to all elements of the review, under the overarching idea of leaving no stone unturned.
- The current review has drawn on an immense collective effort by staff at the ECB and the national central banks of the euro area, organised in **13 separate work streams**.
- In the framework of the review, the ECB and the national central banks also hosted numerous **listening activities** with the general public, civil society organisations and academia. Ideas and perspectives shared at these events have fed into the Governing Council's deliberations.

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