NANTES: A worker is pictured in the flowers area at the MIN (wholesale trading centre) of Reze, near Nantes, western France, yesterday. The European Central Bank yesterday announced fresh measures to juice the slowing eurozone economy, saying interest rates would remain at historic lows at least until the end of 2019. — AFP

ECB acts to curb eurozone slowdown

Interest rates to remain at historic lows until 2019 end

FRANKFURT: The European Central Bank yesterday announced fresh measures to juice the slowing eurozone economy, saying interest rates would remain at historic lows at least until the end of 2019 and offering new rounds of cheap loans to banks to keep credit flowing.

Markets have long priced in "lower for longer" interest rates as there has been little sign of inflation perking up in the eurozone. But the ECB's launch of new quarterly "targeted long-term refinancing operations" (TLTROs) for banks from September is an unexpectedly early move to counteract a euro area slowdown.

ECB staff were expected to offer a slashed growth and inflation forecast for 2019 after the March meeting, matching a gaggle of international organizations like the European Commission, International Monetary Fund and OECD. Geopolitical uncertainty, stuttering output in emerging markets and trade conflicts helped put the brakes on expansion in late 2018, alongside painful one-off effects like new emissions tests that have slowed the car industry.

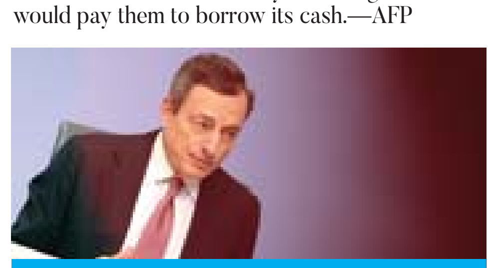
The weak patch meant that just three months after ending a 2.6-trillion-euro ($2.9 trillion) "quantitative easing" (QE) stimulus for the 19-nation eurozone in December, the ECB was under pressure to show it still had options to buttress growth. "The measures, as such, are not a major surprise but the moment of the announcement is," economist Carsten Brzeski of ING Diba bank said.

"It is clearly an attempt to stay ahead of the curve" by preventing the work the ECB has done to loosen financial conditions in recent years from being undone, he added. President Mario Draghi will unveil the central bank's updated growth forecasts and explain the thinking behind its decision to intervene quickly at a 2:30 pm (1330 GMT) press conference.

Cheap loans to banks

The ECB's renewal of its TLTRO scheme will allow banks to borrow from the ECB for periods of up to two years once per quarter between September 2019 and March 2021. "These new operations will help to preserve favorable bank lending conditions and the smooth transmission of monetary policy," the ECB said.

Like previous rounds of TLTROs, the program "will feature built-in incentives for credit conditions to remain favorable". In the past, those incentives have included negative interest rates for banks showing they were lending more to firms and households-effectively meaning the ECB would pay them to borrow its cash.—AFP



FRANKFURT AM MAIN: Mario Draghi, President of the European Central Bank (ECB), giving a press conference following the meeting of the Governing Council in Frankfurt am Main, western Germany. — AFP

Qatar raises $12 billion in bond sale

DOHA: Qatar has sold bonds worth $12 billion (nine billion euros), the finance ministry said yesterday, attracting strong demand.

"The state of Qatar has achieved a successful return to the international financial markets with a total of three tranches-worth $12 billion," said a ministry statement carried by the official Qatar News Agency (QNA). The sale received orders of more than $50 billion, it said. In 2018, the gas-rich state raised $12 billion in its first dollar bond sale in two years. — AFP