

A stable currency

1. What is the purpose of money?

Every currency, the euro, the dollar or the yen, etc., performs three main functions:

A means of exchange. Without money, we would have to exchange goods and services directly for other goods and services, that is, to engage in barter. Money, which is accepted by everyone, simplifies trade.

A unit of account. Money enables us to compare the value of different goods and services. It is the standard used to express their prices. Money also makes it possible to compare costs, incomes and profits over time. It is thus the basis of accounting, a system which enables us to plan and take economic decisions.

A store of value. Money is used to accumulate savings. Who has never put “pennies” in a piggy bank? Money is the “liquid” reserve par excellence, capable of being converted easily and quickly into any type of good or service.

2. What is the money supply?

Over the centuries, money has assumed various forms and has tended to become dematerialised. Nowadays, the money supply is composed of coins, notes and a growing proportion of deposits with commercial banks. Strictly speaking, only sight deposits serve as a means of payment (via book transfers, standing orders, electronic transfers, etc). But other credit balances which enterprises and individuals hold with commercial banks, such as savings deposits, can be converted fairly rapidly and without great expense into means of payment (they are called liquid assets). Hence the broader definitions of the “money supply” (M3).

In December 2011, the broad money supply M3 amounted to 9,794 billion euros in the euro area (which counted at that time seventeen countries), for a population of about 332 million citizens. Coins and notes represented 8.7 % of M3 and sight deposits 41 %.

Money supply in the euro area, December 2011
(billions of euros)

Coins and notes (currency in circulation)	858
Sight deposits (cashless money)	+ 3,999
M1	4,857
Savings deposits and other short-term deposits	+ 3,813
M2 (M1 + Deposits)	8,670
Short-term securities	+ 1,124
M3 (M2 + short-term securities)	9,794

The creation of money

It is by granting credit that the banks create money. The central bank lends to commercial banks, mainly according to the demand for banknotes, and the commercial banks lend to their customers. These customers pay some of the borrowed money back into their banks, and those deposits can be used for new loans. This multiplier effect is the basis for the creation of money by the banks. The statements below show the link between the money supply recorded under the liabilities of the monetary institutions and the credit recorded under assets.

Central bank	
Assets	Liabilities
Gold and foreign exchange	Banknotes
Loans to commercial banks	Deposits by commercial banks

Commercial banks	
Assets	Liabilities
Treasury: deposits with the central bank	Loans from the central bank
Credits to customers	Deposits by customers
	Bonds
	Own funds

3. What is a stable currency?

A stable currency is a currency which successfully performs its functions as a means of exchange, unit of account and a store of value because its purchasing power is stable. Can you imagine a unit of measurement which fluctuates widely over time? A reserve of value which melts away?

The commonest way of measuring changes in the value of a currency, or its purchasing power, is the Consumer Price Index (CPI). This reflects the changes in the total price of a "basket" of goods and services which are deemed to be consumed by an average household.

A currency is stable when the general level of prices, measured by the Consumer Price Index, does not vary too much. In the euro area, price stability has been defined as a rise in the index of less than

but close to 2 % per year. A slight rise in the index is regarded as the sign of overall price stability.

In a market economy, it is normal for some prices to rise while others fall, depending on such factors as varying improvements in productivity (e.g. prices of computers have fallen substantially). These changes in "relative prices" are particularly apparent if the general price level is stable.



A currency loses value if there is a persistent, substantial rise in the Consumer Price Index: this is referred to as inflation. Thus, if the total price of the “basket” of goods and services consumed comes to 1,040 euros today whereas it was 1,000 euros a year ago, this means that the annual inflation rate is 4%: the “cost of living” has increased and the purchasing power of the average consumer’s euro has decreased.

If, on the other hand, there is a persistent, substantial fall in the Consumer Price Index, this is called deflation.

4. A stable currency: why?

Inflation and deflation are diseases of money which harm economic life.

Thus, inflation surreptitiously changes the real value of contracts and of savings, leading to a redistribution of incomes and assets. This redistribution creates winners and losers:

- People who have saved in the form of cash or fixed-interest securities (such as bonds) lose out, because the purchasing power of their capital is eroded.
- People who have borrowed at fixed interest, gain if they have incomes which adjust to the price rise, because the burden of their debt decreases in relation to their incomes.
- The rise in prices erodes the purchasing power of employees, who then demand wage increases. They sometimes obtain more or less complete automatic indexation which links wages to the Consumer Price Index. In Belgium, wages are linked to the “health index” (a consumer price index which excludes certain items, such as tobacco and petrol), with a certain time lag. The wage rise leads in turn to price rises, triggering the spiral.

Unlike the redistribution of incomes by taxation and public expenditure, redistribution by inflation is not based on a democratic decision. It is blind and most likely unfair. Its main victims are all those who have trusted the stability of the value of the currency.

Inflation is not only unfair in its effects, it also impairs economic efficiency: it not only changes the distribution of income but ultimately also reduces growth, leading, as it does, to uncertainty and a loss of confidence which are detrimental to investment, growth and employment:

- Enterprises have difficulty in foreseeing future trends in their prices and costs, planning their investments and taking the right decisions. For instance, how can they tell whether the rise in a product’s price is specific to that product – which would justify devoting more resources to producing it – or whether it reflects the rise in the general level of prices? Inflation clouds the information contained in the price system.
- Lenders will demand higher interest rates containing a “risk premium” for inflation. The situation of borrowers – especially that of enterprises which borrow to finance their investments – will therefore ultimately deteriorate.

When inflation takes off and reaches staggering levels, this is called hyperinflation, as happened in Germany in 1922 and 1923: money creation increased and prices rose very rapidly. The inflation rate then reached the giddy heights of 3.25 million% on a monthly basis. This hyperinflation seriously disrupted the social order. All Germans who held their savings in banknotes were ruined. Only the best informed and the richest were able to protect themselves against inflation, for instance by investing their assets abroad. More recent examples of countries that have been (or still are) confronted with hyperinflation are the former Yugoslavia (1993) and Zimbabwe (2006-2009).



Seat made of worthless German marks (Carl Valentin, 1923)



Children playing with totally worthless banknotes, Germany 1923

Deflation, too, is harmful to economic activity. Like inflation, it causes a blind redistribution of incomes and assets, greater uncertainty and a lack of confidence. A deflationary spiral brings about a devastating contraction in activity: the fall in prices creates difficulties for businesses and forces them to lay off employees; faced with the rise in unemployment, households reduce their purchases of consumer goods and this decline in

demand again pushes down prices; individuals and enterprises are confronted with a debt burden which becomes unbearable given the fall in incomes.

It is therefore price stability that offers the best conditions for sustained growth which creates jobs, while protecting the purchasing power of those who trust the currency.

German hyperinflation as witnessed by Stefan Zweig

"I have experienced days when I paid 50,000 marks for a newspaper in the morning and 100,000 in the evening; anyone who had to change foreign currency staggered the exchange transaction through the day, because at four o'clock he received a multiple of what he would have obtained sixty minutes earlier (...). You found 100,000 mark notes in the gutter: a beggar had thrown them away disdainfully; a shoe lace cost more than a shoe had previously."

Stefan Zweig, *Yesterday's World*, 1941

The terrible deflation of the 1930s in the United States

In the optimism of the 1920s, banks in the United States granted large amounts of credit to people wanting to buy shares on the Wall Street stock exchange. In October 1929, the crash came: share prices collapsed. Debtors were unable to repay their borrowings and banks went bankrupt, in turn ruining their depositors. Demand for goods and services contracted, prices fell and a deflationary spiral was triggered, causing many enterprises to go bankrupt. Unemployment reached unprecedented levels.

The depression shook economies to their foundations, and the fallout from it contributed to the rise of Nazism in Europe. In the United States, intervention by the State, in the form of President Roosevelt's New Deal, succeeded in putting a stop to deflation.

5. The causes of inflation and deflation

Observers of economic life very soon realised that if the money supply became too abundant in relation to the goods and services produced, inflation developed and eroded the value of the currency. In the 16th century, the inflow of precious metals from the New World led to a period of inflation in Europe.

If, on the other hand, money becomes too scarce in relation to the goods and services produced, deflation increases its value. The Great Depression of the 1930s in the United States was associated with a contraction in the money supply.

Other economists are more inclined to put the accent on the markets for goods and services and labour, where prices and wages are formed. Inflation can be fuelled by excessive demand for goods and services in relation to production capacities or by the rise in costs (raw materials, labour costs).

But economists all recognise that movements in the general price level cannot persist without accompanying monetary measures. It is said that inflation is "in the medium term, an essentially monetary phenomenon".



In October 1944, the crowd waits patiently in front of the Bank to exchange their old notes for new ones. Drawing by D. Piryns

The bitter experience of stagflation in the 1970s

During the 1960s, it was thought that a little inflation “oiled the wheels” of economic growth, and that by accepting more inflation, one could reduce unemployment. However, the experience of the years that followed demonstrated that inflation ultimately disrupts economic activity.

Inflation started to accelerate in all the industrialised nations from the end of the sixties, driven, in particular by the creation of money in the United States where demand was stimulated by public expenditure (financing the Vietnam War).

Inflation reached a peak after the first oil crisis in 1973, following the Arab-Israeli Yom Kippur War. The increase in oil prices caused a spiral of price and wage increases. A second oil crisis in 1979-80 triggered a further acceleration in inflation.

It is therefore apparent that inflation is not a stimulant but an obstacle to lasting growth : growth remained weak in Belgium from 1975 to 1985 and unemployment increased. The combination of inflation and stagnation of economic activity was called “stagflation”.

In addition, lenders, having had their fingers burned, demanded higher rates of interest on long-term loans in order to compensate for the risk of erosion owing to inflation : the 1980s saw the “revenge of the rich”. The high interest rates made life difficult for the State by increasing the public debt, and put a brake on corporate investment.

It was not until the 1990s that control of inflation and budgetary consolidation brought long-term interest rates in Europe back down to levels closer to those prevailing before the explosion in prices.

6. A stable currency: how?

The central bank, as the guardian of the currency, has a particular responsibility in the maintenance of price stability. However, it does not control prices directly. It does not even control the money supply directly: nowadays, the banknotes which it issues form only a very small proportion of the money supply (7.7 % of M3 in March 2009), and are issued in response to demand. In our economies with a developed financial system, the money supply fluctuates in response to the decisions made by numerous stakeholders who may choose, for instance, whether to invest their savings in short-term deposits, which are included in the money supply, or in long-term bonds. What the central bank does control, as the main instrument of its monetary policy, is the interest rate charged on very short-term loans to the commercial banks.

By adjusting its interest rate, the central bank also influences the rates charged by the commercial banks.

Faced with a threat of inflation, the central bank will raise its interest rate. The general interest rate rise will curb the expansion of credit and the money supply, and moderate demand for goods and services, thus halting the price rise. On the other hand, when there is a risk of deflation, the central bank will lower its interest rate in order to prevent a fall in prices.



Let us examine these mechanisms in detail:

How should the central bank react to various economic shocks?

The central bank has to analyse a large number of items of economic information in order to assess the probable movement in prices and the risks to price stability (see point 7). On the other hand, it must not wait until inflation or deflation are already under way before taking action, because there is always a certain time lag before its decisions influence prices.

Let us look at some items of information on the unrealistic assumption that everything else remains unchanged.

First example: the latest household and business survey reveals that confidence has risen to an unprecedented level; the climate of optimism is heightened by strong growth in economic activity and a low unemployment rate. This is a classic case of overheating: production capacities are fully utilised, demand exceeds supply, fuelling price rises, and wages increase in turn owing to the labour shortages. The central bank has to raise its interest rate in order to curb demand.

Second example: the growing tensions in the Middle East have pushed up the price of a barrel of oil from 90 to 140 dollars. Such an "oil shock", if it persists, has a twofold effect on our economy. First, it pushes up costs and is passed on in prices, directly (price of petrol) and indirectly (prices of goods produced using energy), making it liable to trigger an upward wage/price spiral. Second, it impoverishes the economy as a whole, and this reduction in real income depresses domestic demand and slows down growth. Even though a temporary rise in prices may be tolerated, the risk of a more persistent increase gains ground and the central bank has to raise its interest rate to ensure price stability.

Third example: the Council of Ministers has approved a major public finance consolidation plan. Sharp cuts in expenditure and some tax increases have been announced. The budget for each Federal Public Service has been limited. These measures were adopted during a period of slowing economic activity. Similar measures have been taken in Germany and Italy, after the plans already announced in several other euro area countries. The ECB could react to this wave of budget austerity measures by cutting its interest

Consolidated and simplified balance sheet of the Eurosystem

(situation at 25th May 2012, billions of euros)

Assets		Liabilities	
Autonomous liquidity factors		Autonomous liquidity factors	
Net external assets	675,6	Banknotes in circulation	879,8
Other autonomous factors (net)	26,9	Government deposits	143,0
Monetary policy instruments		Current account holdings	
Main refinancing operations	37,9	Required reserves	106,6
Longer-term refinancing operations	1.061,8	Current account holdings in excess of required reserves	-16,6
Covered Bonds Purchase Programmes and Securities Market Programme	280,6	Monetary policy instruments	
Marginal lending facility	2,1	Fixed-term deposits	212,0
Total	2.084,9	Fine-tuning operations (net)	0,0
		Deposit facility	760,1
		Total	2.084,9

Source: ECB.

rate. The commercial banks will then pass this cut on to the interest rates that they offer their customers. This reduction in interest rates will make loans cheaper, and therefore easier to obtain, both for enterprises and private individuals, which will encourage credit expansion. On the other hand, with interest rates being low, it becomes less worthwhile to save: so it is better to spend money. By encouraging borrowing and discouraging saving, this decision will lead households to re-launch their consumption of goods and services.

How does the central bank influence interest rates?

The central bank is the “bank of banks”. The commercial banks have to borrow from it, as is shown by the balance sheet illustrated above. In fact, the central bank has a monopoly on issuing the banknotes which the commercial banks need to provide for their customers. The commercial banks also hold a current account with the central bank, through which they settle their reciprocal debts.

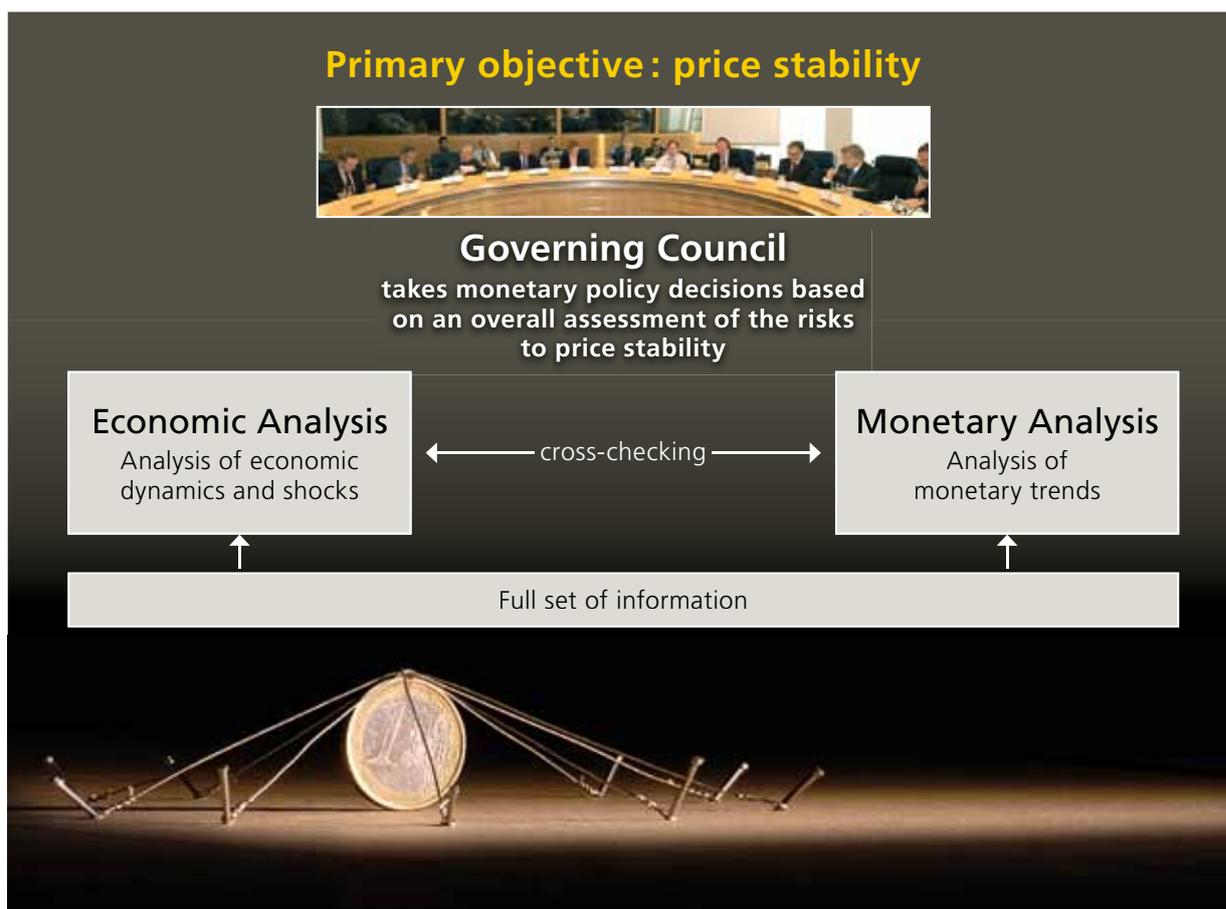
Lastly, the central bank may set a minimum amount for assets deposited on this account: these are the compulsory reserves.

The central bank’s loans to the banks are generally very short-term (one week).

The interest rate on these loans has a great deal of influence on the rates which the banks charge on their mutual short-term loans, the money market rates.

Longer-term interest rates, on the bond market, often follow the movements of short-term rates to a limited extent, but may sometimes react differently.

Lastly, these short-term and long-term market rates in turn influence bank interest rates: the rates which the banks apply to their customer loans and deposits received.



7. The monetary policy of the Eurosystem

Since 1 January 1999, the Eurosystem, under the direction of the ECB's Governing Council, has conducted the euro area's single monetary policy with a view to maintaining price stability. The Eurosystem is made up of the ECB and all the national central banks of the countries in the euro area.

What aims?

The Treaty on European Union assigns to the Eurosystem the primary objective of maintaining price stability in the euro area. The ECB's Governing Council has defined this aim more precisely as a rise in the price index of less than but close to 2 % per year. Price stability must be maintained in the medium term: the general price level is subject to short-term fluctuations beyond the control of the Eurosystem, and it takes some time before

the latter's actions influence prices. Furthermore, the fact that its policy is geared to the medium term permits the Eurosystem to make a gradual, measured response to certain unforeseen economic disturbances.

The Treaty stipulates that the Eurosystem, without prejudice to the objective of price stability, shall support the general economic policies in the Community, with a view to contributing to the achievement of the objectives such as growth, employment or economic and social cohesion. The restrictive condition expressed by the words "without prejudice" unambiguously indicates which is the primary objective. It is by creating an environment of stability that monetary policy will best contribute to growth and employment.

It often happens, however, that actions necessary for the maintenance of price stability serve other aims, such as the stabilisation of economic activity and that of the financial sector. Thus, the risks to price stability are often linked to the economic

cycle: if a decline in activity threatens to lead to a drop in prices, the Eurosystem will reduce interest rates, thus supporting demand.

Unlike the monetary policy pursued in most of the countries of the European Union before Monetary Union, the Eurosystem's policy does not assign a privileged role to the exchange rate, because the euro area constitutes a very large economy whose external trade represents only about 15 % of total demand for goods and services. This does not mean that the euro exchange rate is ignored: the effect of its movement on domestic prices is duly taken into account.

Which strategy?

The first element of the strategy is the definition chosen for price stability – the main objective of monetary policy (see previous point). This gives a clear anchorage point for expectations of price movements and gives the general public something by which to judge the decisions taken by the ECB Governing Council.

Apart from this definition, the Eurosystem's strategy is based on analysing all available information enabling the Governing Council to react in good time to trends and tendencies that pose a threat to price stability. The analytical work is structured around two pillars which correspond to complementary approaches – real and monetary – to price movements and their causes.

On the one hand, the Governing Council assesses the likely short- and medium-term price movements on the basis of a wide range of advance indicators: cyclical indicators, commodity prices, exchange rates, labour costs, information on fiscal policy, etc. It also takes into consideration the forecasts made by the Eurosystem staff. All this information enables it to analyse supply and demand shocks and the way in which the euro-area economy reacts, and consequently to reach an opinion on the risks threatening price stability.

On the other hand, the Governing Council analyses the monetary data and, in particular, the movement in the broad monetary aggregate M3, which has exhibited a fairly stable relationship

with price movements in the euro area in the medium term.

What instruments and procedures?

The Eurosystem's monetary policy therefore involves adjusting the conditions under which the commercial banks can obtain liquidity from their national central bank and thus influencing the interest rates on very-short-term credits.

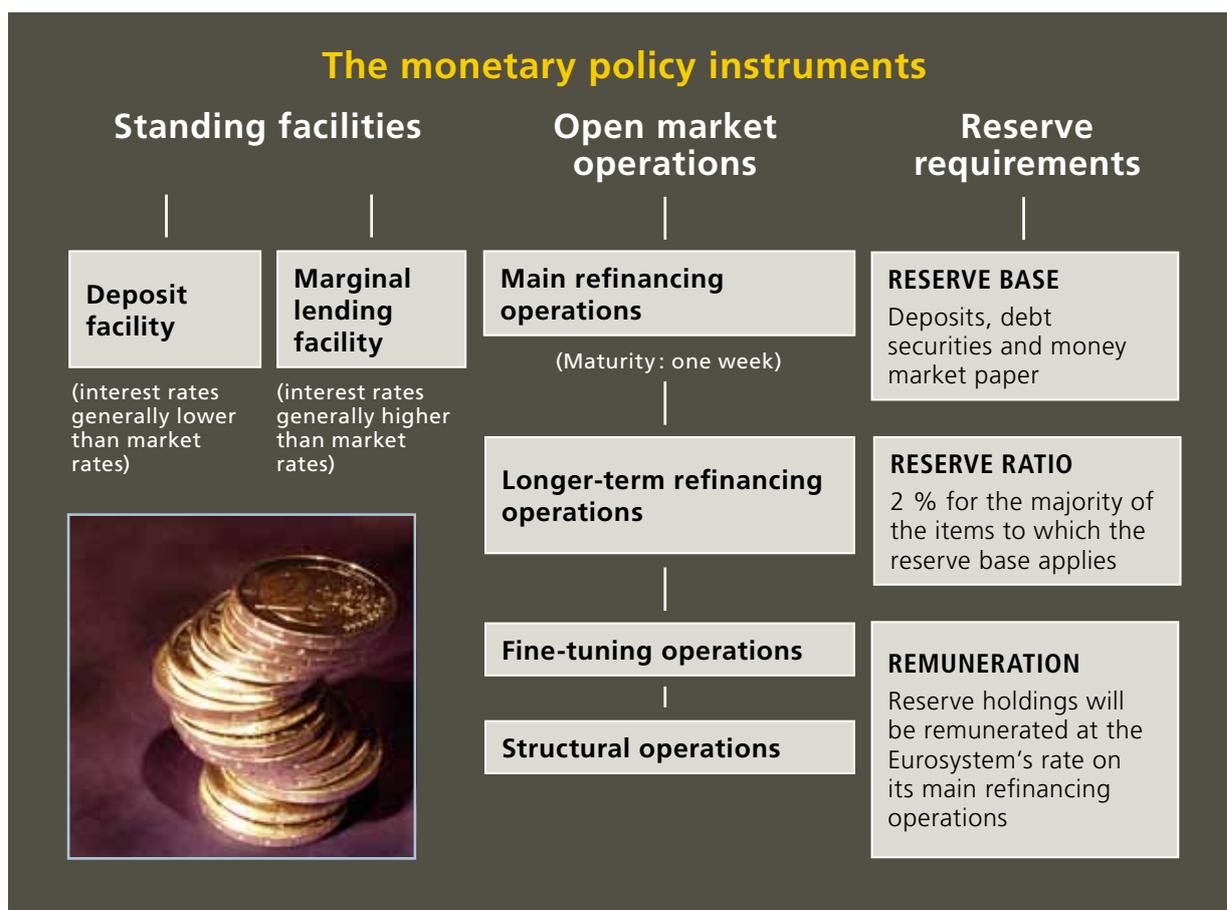
In the euro area, the Eurosystem's loans to the commercial banks take place principally via a special procedure which consists of granting credits every week for a period of one week. As a counterpart, the commercial banks have to deposit a number of guarantees with their central bank; for banks situated in Belgium, that is the National Bank of Belgium (NBB). They also indicate the amount of credit which they wish to obtain and the interest rate which they are prepared to pay, the minimum rate being fixed by the European Central Bank Governing Council. The NBB sends these tenders to the ECB in the same way as the other national central banks of the Eurosystem. The ECB decides the amounts which will be lent by giving priority to the banks which have offered to pay the highest interest rates.

These weekly allotments of credits (via tenders), which are open to euro area banks, constitute the main channel for providing liquidity. The minimum interest rate on these main refinancing operations is the key monetary policy rate.

Besides these transactions, the ECB may also resort to longer-term refinancing operations, fine-tuning operations and structural operations.

Furthermore, the Eurosystem offers euro-area banks two standing facilities, i.e. the possibility of borrowing or depositing one-day funds at pre-announced interest rates. These rates form respectively a ceiling and a floor for the money market's overnight rates.

Lastly, the Eurosystem requires the banks to maintain compulsory reserves in the form of deposits on account with the national central banks, amounting to of 2 % of certain elements of



their liabilities. The compulsory reserves increase the banks' need to obtain finance from the Eurosystem. Since the reserve requirement only has to be met on average over periods of one

month, the reserves may vary from day to day and absorb the very-short-term fluctuations in liquidity caused, for instance, by variations in demand for notes. The compulsory reserves bear interest.

Operational stages in a tender procedure

- Stage 1:** (Monday, 3.30 pm) Tender operation is announced
 - a. Announcement by the ECB via press agencies
 - b. Announcement by the national central banks and, if necessary, directly to some credit establishments
- Stage 2:** Preparation and submission of tenders by banks
(Tuesday, 9.30 am) Deadline for submitting tenders
- Stage 3:** Tenders assessed by the Eurosystem
- Stage 4:** Allotment and announcement of the results by the ECB
 - a. ECB allotment decision
 - b. (Tuesday, 11.15 am) Announcement of the tender operation results
- Stage 5:** Individual tender results notified
- Stage 6:** (Wednesday, midnight) Settlement of the operation

The Eurosystem may also intervene on the foreign exchange market, i.e. by buying or selling foreign currencies against euros.

Monetary policy decisions are taken by the Governing Council. This centralisation is the only way to avoid confusion over monetary policy signals and distortions in competition. However, the ECB resorts to the national central banks for the execution of monetary policy operations. The national central banks are still the contact point for credit institutions based in their territory.

8. And Belgium?

From 1990, the Belgian franc had been firmly pegged to the German mark and the National Bank of Belgium had in fact voluntarily ceased to pursue a truly independent monetary policy, because the exchange rate target was the most appropriate for maintaining price stability. On 1 January 1999, the abandonment of monetary sovereignty became formal and irreversible.

However, the National Bank of Belgium now participates actively in the formulation of the single monetary policy. The Governor is a member of the Governing Council of the ECB. The NBB's specialised services take part in the Eurosystem's forecasting exercises and contribute to the assessment of the economic and monetary situation in the euro area as a whole.

Even though the Belgian economy accounts for only about 4% of that of the euro area, its high degree of integration makes it fairly representative and limits the risks of shocks specific to Belgium. The economic cycle in Belgium generally follows a pattern similar to that of the euro area as a whole, and the same applies to price movements.

Generally speaking, cyclical trends in Belgium are similar to those in the euro area as a whole and the same goes for movements in prices. This largely explains the interest shown, even abroad, in the business barometer published by the National Bank of Belgium.

The National Bank also participates in the implementation of monetary policy operations. It is to the National Bank that Belgian banks turn in order to participate in the Eurosystem's credit tenders, and it is with the Bank that the Belgian banks hold their reserves. Furthermore, it still manages Belgian exchange reserves and also a portfolio of securities in euros.

9. Reactions to the financial crisis

Monetary policy measures

During the first wave of financial turbulence, from August 2007 to September 2008, the Eurosystem was able to act within the existing operational framework. The available instruments were in fact sufficient to cope with the deterioration of conditions on the interbank market (higher interest rates, stricter guarantees and a sharp reduction in loan maturities).

Against this backdrop, the Eurosystem stepped up its supply of liquidity by providing supplementary injections of liquidity via fine-tuning operations and bigger credit allotments in its main refinancing operations (one-week loans).

It also extended the average duration of longer-term refinancing operations by granting supplementary loans with a maturity of three months from August 2007 and six months from March 2008.

Lastly, swap agreements concluded with foreign central banks enabled the Eurosystem to provide liquidity in foreign currency to banks in the euro area.

The bankruptcy of Lehman Brothers in September 2008 caused the interbank market to seize up almost completely and triggered a sudden deepening of the financial crisis, causing a worldwide recession and pushing back inflationary threats. Consequently, the Governing Council relaxed its monetary policy considerably, by cutting the key interest rate to an unprecedented level and by taking additional, non-conventional measures to preserve banks' liquidity and shore up the credit

market. The Governing Council thus decided that refinancing operations would be conducted at a fixed rate and tenders put in by banks would be fully accepted.

From then on, the Eurosystem adapted the management of collateral deposited by credit establishments and more than doubled the list of eligible assets. It deepened its reinforced loan support policy by granting one-year loans from June 2009 and by launching into a covered bond purchase programme.

Emergency loans

The climate of general mistrust put some credit establishments under particularly strong pressure. Just like other central banks, for a short period of time, the National Bank of Belgium had to pump emergency liquidity into credit institutions presenting a systemic risk in that their financial difficulties could have a contagion effect on the entire Belgian, and even European, financial system,

For the first time ever, it had to resort to emergency liquidity assistance (ELA) in order to grant overnight credit in euro and US dollar in exceptionally large amounts.

In their capacity as lenders of last resort, central banks grant emergency liquidity in a discretionary manner to credit establishments that, although solvent, are facing temporary liquidity problems. These operations fall outside the normal framework for monetary policy operations. Effectively, when a bank asks to be able to benefit from ELA, it is because it has exhausted all other options for obtaining loans from the Eurosystem.

ELA is granted at penalty interest rates and in return for guarantees which would not have been accepted in conventional Eurosystem operations. The National Bank therefore had to examine these guarantees in some depth. It valued them by using specific risk criteria and set a further valuation markdown for some types of collateral in order to establish the amount of liquidity that it was prepared to grant on this basis.



The Governing Council of the ECB – November 2013.

Inflation

Year	Consumer price index (1914 = 100)	Percentage change over a ten-year period	Value of 1 BEF from 1835 in Belgian francs	Value of 1 BEF (0,0248 EUR) from 1835 in euros
1835	88	n.	1,0	0,02
1840	96	n.	1,1	0,03
1850	88	-8	1,0	0,02
1860	100	14	1,1	0,03
1870	101	1	1,1	0,03
1880	99	-2	1,1	0,03
1890	90	-9	1,0	0,03
1900	89	-1	1,0	0,03
1910	92	3	1,1	0,03
1920	455	395	5,2	0,13
1930	874	92	9,9	0,25
1939 <i>p.m.</i>	770	-12	8,8	0,22
1940	n.	n.	n.	
1950	2 744	246	31,2	0,77
1960	3 320	21	37,7	0,94
1970	4 469	35	50,8	1,26
1980	9 094	104	103,3	2,56
1990	14 184	56	161,2	4,00
2000	17 380	23	197,5	4,90

		Percentage change over 1 year		
2002	18 102	1,6	205,7	5,10
2003	18 390	1,6	209,0	5,18
2004	18 775	2,1	214,5	5,32
2005	19 298	2,8	219,3	5,44
2006	19 643	1,8	223,2	5,53
2007	20 001	1,8	227,3	5,63
2008	20 899	4,5	237,5	5,89
2009	20.888	-0,1	237,4	5,88
2010	21.345	2,2	242,6	6,01
2011	22.099	3,5	251,1	6,22

n. : not available
p.m. : pro memoria

Sources: 1835-1913: Bulletin of the Institute of Economic Science (May 1937).
1920-1938: Ministry of Employment indices (Labour Review and Moniteur belge/Belgisch Staatsblad).
1939...: Federal Public Service Economy, SMEs, Self-employed and Energy indices.

Calculations: National Bank of Belgium.

Example of an ECB press release

3 May 2012 – Monetary policy decisions

At today's meeting, which was held in Barcelona, the Governing Council of the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 2.30 p.m. CET today.

For more information

- Monthly Bulletins of the ECB (www.ecb.int)
- Deflation, a demon from the distant past or a real danger in 2009?, NBB, Economic Review, September 2009
- Ten years of monetary union in retrospect, NBB, Economic Review, December 2008
- The European Central Bank, the Eurosystem, the European System of Central Banks, ECB, 2011
- The implementation of monetary policy in the euro area, ECB, January 2012 (www.ecb.int)
- The monetary policy of the ECB, ECB, May 2011 (www.ecb.int)
- Annual Reports of the National Bank of Belgium (www.nbb.be)
- Internet: www.nbb.be/pub/home.htm?l=en
www.ecb.int/ecb/educational/movies/html/index.en.html
- Information sheets: Inflation, p. 101
The consumer price index – HICP – the health index, etc., p. 102
Who creates money?, p. 111