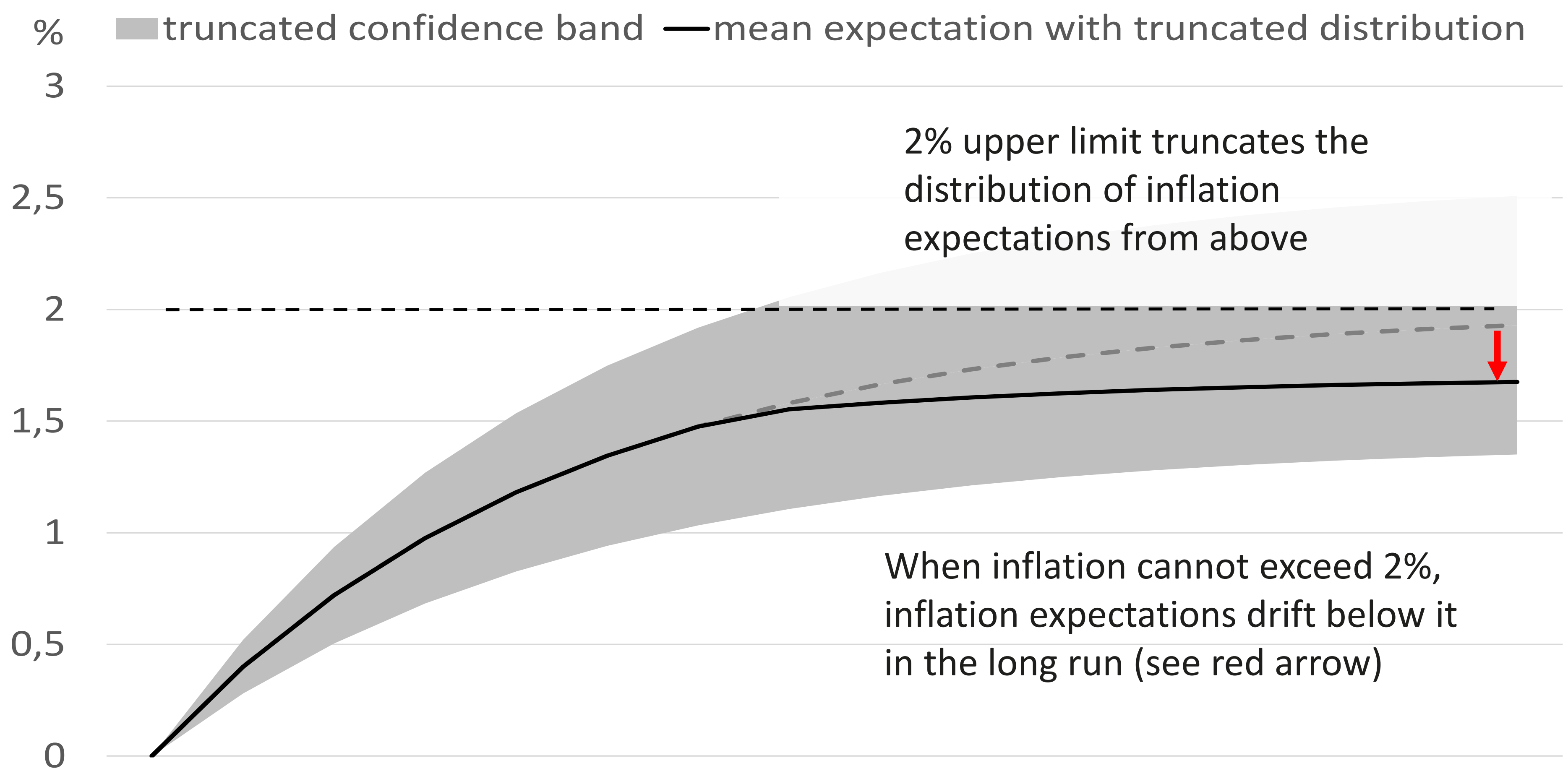
SUOMEN PANKKI EUROJÄRJESTELMÄ | FINLANDS BANK EUROSYSTEMET

# Monetary policy in the shadow of geopolitics and trade tensions

Bank of Finland’s 4th Monetary Policy Conference
Helsinki, 30 September 2025


Governor Olli Rehn
Bank of Finland

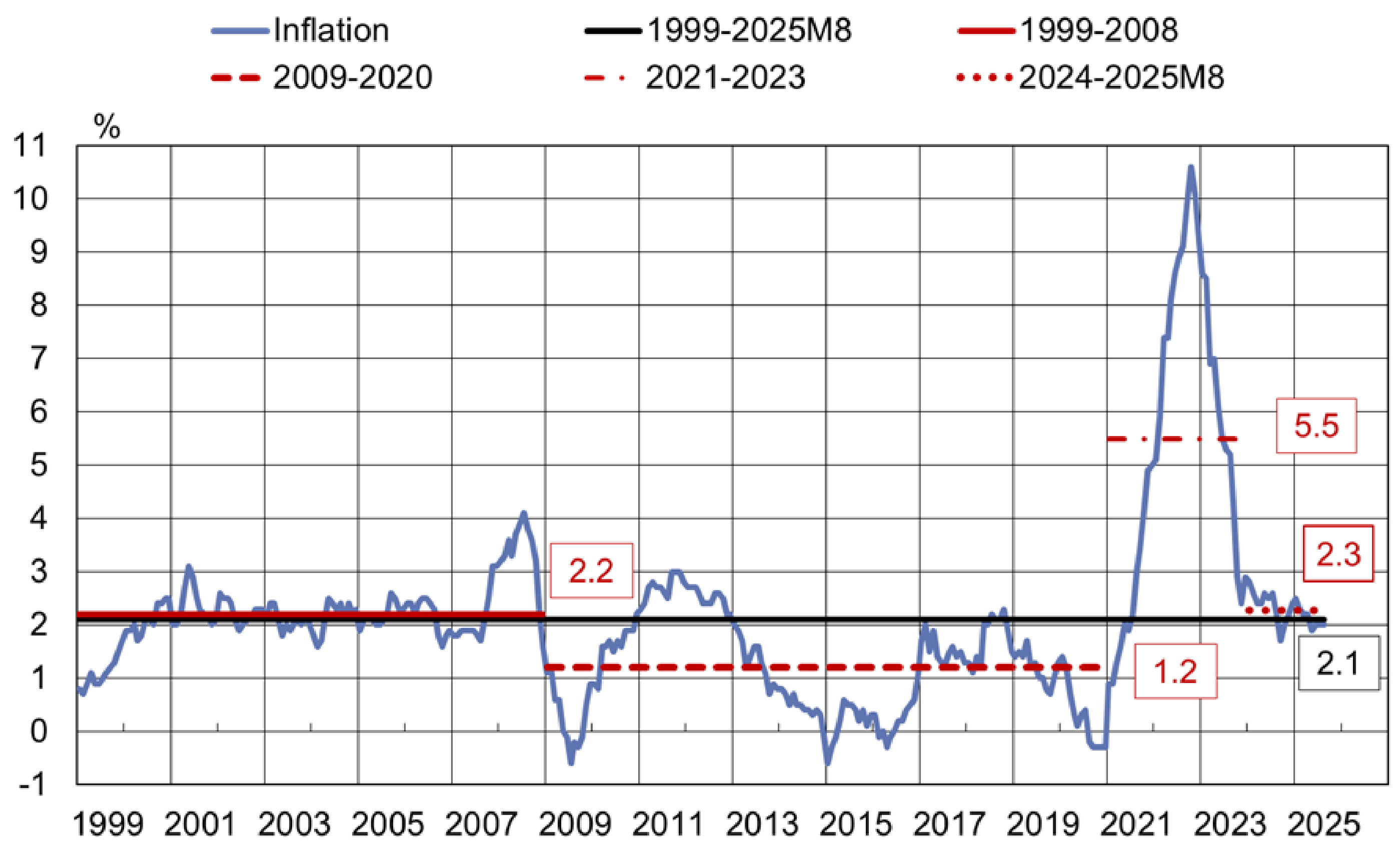
# In the old target (1999–2021) 2% was interpreted as a ceiling – pushing inflation expectations well below 2 percent



# ECB’s Monetary Policy Strategy Review 2020-21: symmetric 2 % inflation target over the medium term

- The previous definition of price stability, with inflation ‘below, but close to 2%’, was sometimes interpreted as a ceiling.
- Currently the ECB has **symmetric 2% inflation target over the medium term**.
- Governing Council considers negative and positive deviations from this target as equally undesirable.
- **Medium term:** inflation may temporarily deviate from the target, as long as inflation expectations remain anchored.

# Three and a half periods of euro area inflation, 1999-2024




Source: Eurostat.
32426@HICP+averages2

# 2025 Strategy assessment

What changed in the 2025 strategy update?

- Symmetrical 2% target maintained, response sharpened
- Medium-term orientation likewise maintained
- Analytical tools are being developed to assess uncertainty (scenario analysis)
- Financial stability is a basic requirement for price stability
- Instruments also in place in case of too low inflation

# Concluding remarks

- Central bank independence is essential for credibility and effective policy.
- Recent experience: inflation brought down swiftly and without major damage, unlike in the 1970s–80s.
- Historical contrast:
  - Then: persistent inflation or painful recession
  - Now: credible targets and independence allow smoother adjustment
- Key lesson: central bank independence is not a luxury – it is a safeguard for stability, growth, and public trust.

# Securing stability, in science we trust.