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## The Impact of Unconventional Monetary Policy on the Italian Economy During the Sovereign Debt Crisis

*Bank of Italy Occasional Paper No. 203*

42 Pages

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### Abstract

We assess the impact on the Italian economy of the main unconventional monetary policies adopted by the ECB in 2011-2012 (SMP, 3-year LTROs and OMTs) by following a two-step approach. We evaluate their effects on money market interest rates, government bond yields and credit availability and then map them onto macroeconomic implications using the Bank of Italy quarterly model of the Italian economy. We find that the SMP and the OMTs have been effective in counteracting increases in government bond yields and that the LTROs have had a beneficial impact on credit supply and money market conditions. From a macroeconomic perspective, we find that the unconventional policies have had a large positive effect on the Italian economy, mainly through the credit channel, with a cumulative impact on GDP growth of 2.7 percentage points over the period 2012-2013. To conclude, while the policies did not prevent the Italian economy from falling into recession, they did avoid a more intense credit crunch and a larger output fall than those actually observed.

**Keywords:** monetary policy, unconventional monetary measures**JEL Classification:** E52, E58, E44[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN\\_ID2405451\\_code606534.pdf?abstractid=2405451&mirid=1\)](#)[Open PDF in Browser \(Delivery.cfm/SSRN\\_ID2405451\\_code606534.pdf?abstractid=2405451&mirid=1&type=2\)](#)

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