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| l. | Overview | unestions |
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| Wa | tch the film entitled "Asset purchase programmes and quantitative easing". | | | | | | | |
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| a) | Whilst you watch, make notes on the following questions: | | | | | | | |
| 1. | What is the objective of the Eurosystem and how can it be achieved? | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| 2. | What is quantitative easing (QE) and why is it used? | | | | | | | |
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| | | | | | | | | |
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| | | | | | | | | |
| 3. | What are the effects of quantitative easing? | | | | | | | |
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b) Compare your notes with a partner's and add to them if necessary.



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2. Cloze on "quantitative easing"

Watch the film closely and fill in the gaps. A link to the film text is available on the website below the film.

| | can be used if the | | | | | | | | | |
|---|---|--|--|--|--|--|--|--|--|--|
| can be used if the | | | | | | | | | | |
| | needs to increase, but the policy rate | | | | | | | | | |
| cannot be | any further. The Governing Council | | | | | | | | | |
| may then decide tha | t the Eurosystem's central banks should | | | | | | | | | |
| make large-scale purchases of securities, particularly | | | | | | | | | | |
| | | | | | | | | | | |
| | · | | | | | | | | | |
| Add of officer lands | that are the Land | | | | | | | | | |
| What effects does quantitative easing have? | | | | | | | | | | |
| Asset purchases have | e major effects. First, they increase | | | | | | | | | |
| the volume – or | of | | | | | | | | | |
| , which gives commercial banks more scope for | | | | | | | | | | |
| Second, the longer-term | | | | | | | | | | |
| fall in response to the broad-based asset purchases. This is simila | | | | | | | | | | |
| to the effect of a traditional, | | | | | | | | | | |
| referred to as monetary policy easing. The term | | | | | | | | | | |
| • | | | | | | | | | | |
| | ″ is derived from these | | | | | | | | | |
| two effects. They lea | d to aggregate demand and | | | | | | | | | |
| | | | | | | | | | | |



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| c) | How does quantitative easing affect exchange rates and thus the inflation rate? | | | | | | | | | | |
|----|---|--|--|--|--|--|--|--|--|--|--|
| | In addition to the two aforementioned effects, the lower | | | | | | | | | | |
| | stemming from quantitative | | | | | | | | | | |
| | easing tends to result in capital outflows to countries where the | | | | | | | | | | |
| | interest rate level and thus expected interest income are | | | | | | | | | | |
| | Such capital outflows lead to | | | | | | | | | | |
| | demand for the domestic currency and bring about a | | | | | | | | | | |
| | in the exchange rate. This makes domestic goods | | | | | | | | | | |
| | abroad and thus boosts | | | | | | | | | | |
| | The increased demand for domestic goods from abroad in turn | | | | | | | | | | |
| | additionally contributes to prices. In this way, too, | | | | | | | | | | |
| | quantitative easing can raise the and | | | | | | | | | | |
| | move it towards the target. | | | | | | | | | | |



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3. Word search

Find the ten hidden terms on the topic of the quantitative easing. Search in all directions (horizontal, vertical, diagonal and overlapping).

| Υ | Р | Ε | Х | Р | 0 | R | Т | N | L | Т | N | W | Z | Q | В | Α |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| О | I | D | ٧ | U | F | L | F | F | J | Р | L | В | F | L | С | W |
| В | Α | N | K | ı | N | Т | Ε | R | Ε | S | Т | R | Α | Т | Е | S |
| D | Р | Р | F | D | Υ | W | 0 | N | W | ٧ | Н | Z | U | Х | N | Е |
| K | Е | J | Ε | L | Т | R | N | M | D | Ε | Z | N | Р | G | Т | G |
| V | D | D | Н | Х | Α | M | K | В | Q | I | V | L | 0 | Z | R | D |
| W | C | D | I | K | C | Т | S | J | Υ | R | N | Υ | L | Z | Α | I |
| R | Α | Α | S | Α | C | Н | - | В | C | Q | Α | G | _ | Е | L | Е |
| G | F | S | Н | W | Q | D | Α | 0 | Υ | M | V | С | C | F | В | V |
| I | F | R | X | U | C | S | C | N | N | Z | G | J | Υ | W | Α | Z |
| S | Υ | I | Ε | L | D | Н | G | D | G | R | D | S | R | M | N | Е |
| D | О | F | C | В | S | Υ | S | S | Н | Ε | Α | G | Α | 0 | K | U |
| Υ | U | M | M | ı | U | U | R | I | Ε | S | R | Т | Т | F | М | Т |
| Z | W | Ε | Q | J | D | 0 | S | В | D | 0 | W | Α | Ε | В | 0 | U |
| M | Q | Ε | I | M | 0 | K | 0 | G | K | Υ | С | M | Т | N | N | I |
| M | 0 | G | Ε | Α | Α | С | Н | Υ | Ε | S | U | Ε | Z | Е | Ε | В |
| M | Р | R | I | С | Ε | S | Т | Α | В | I | L | I | Т | Υ | Υ | W |

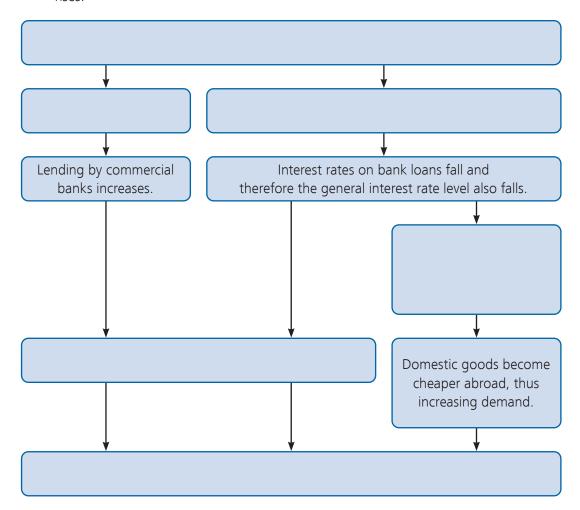


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4. How asset purchases work in the context of quantitative easing

Enter the following phrases in the correct parts of the transmission mechanism:

- Government bond prices rise, while their yields fall.
- Capital flows to countries with higher interest rates, bringing about a decline in the exchange rate.
- The quantity of central bank money increases.
- Aggregate demand rises.
- Central banks buy government bonds.
- Enterprises can increase prices more easily and by a greater amount: the inflation rate rises





[&]quot;Asset purchase programmes and quantitative easing" – Accompanying worksheet © Deutsche Bundesbank 2022