Rome attacks ECB after share of Italian bond buying falls during political crisis

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The ECB has come under fire from Italy’s new populist government after revealing it scaled back the share of Italian sovereign bonds it bought as part of its stimulus programme during Rome’s political turmoil last month.

The central bank purchased a net €3.6bn of Italian government debt under its long-running programme in May, new figures show. Although that was higher than the amount it bought in some recent months, such as March and January, it was smaller as a proportion of its net purchases.

The ECB insisted that the reduced Italian share had nothing to do with political events and was purely linked to practical issues, such as the need for the bank to reinvest in German bonds after a chunk of its holdings matured.

Nonetheless, the numbers were seized on by Italy’s new governing parties, who have been arguing for weeks that eurozone central bankers have been putting pressure on them to adopt more conventional economic policies.

Claudio Borghi, economic adviser in the far-right League, said it was “no surprise” to discover the ECB had been buying more German bonds. “Since Draghi promised to do ‘whatever it takes’, the biggest player in the Italian bonds market has been the ECB — and they fix the price,” he told the Financial Times.

The ECB noted that it also purchased a smaller portion of French, Austrian and Belgian debt because of the need to buy a large stock of German bonds.

“This is the result of agreed and communicated rules on the timing of re-investments,” the ECB said. France’s proportion of net purchases, at 17 per cent, was the lowest on record.

Italian debt plunged last week as investors took fright at the prospect of a coalition between the League and anti-establishment Five Star Movement.

According to the ECB data, 28 per cent of net purchases last month were of German bonds; 15 per cent were of Italian, the lowest allocation to Italy since the programme began in 2015.

Purchases are allocated roughly according to the size of each economy. Italy should qualify for about 17 per cent of purchases over the programme, but the monthly figure can vary.

Additional reporting by Jim Bruden
Deportation threat page 2
Gideon Rachman page 8
Smart Money & Safety cushion page 11