



ECB's Trichet sees economic pick-up in 2010

Speaking to MEPs in the Economics Committee, European Central Bank President Jean-Claude Trichet said "the economic pick up should take place in 2010". MEPs questioned him on the current crisis, including the effects of the recovery measures on real economy and the need for better supervision of financial markets.

In his opening remarks, Mr Trichet said: "Since September last year, the financial turmoil has intensified (...) Tensions have increasingly spilled over from the financial sector into real economy." Nevertheless, "at the same time, declining inflation rates should support real disposable income in the period ahead and the euro area should benefit from (...) policy measures decided over recent weeks". However, Mr Trichet warned, "this outlook remains surrounded by exceptionally high uncertainty"

Inflation objective: "below but close to 2%"

The ECB President also said that in the EU "there is presently no threat of deflation. Indeed, the firm anchoring of inflation expectations (...) represents the strongest and most reassuring safeguard against any risk of a downward spiral of inflation and inflation expectations". "The Governing Council of the ECB repeated its commitment (...) in line with its definition of price stability of below 2% but close to 2%", he added.

Alain Lipietz (Greens/EFA, FR) questioned the efficacy of this objective, saying that inflation rate "is moving quite sharply far from that aim" of below but close 2%. Disinflation, he suggested, "is at around 1.5% and trend likely to continue". Mr Trichet replied: "Our prime concern is still to be credible or, in other words, to deliver price stability." "We managed to stick to an inflation rate less than 2% but close to 2%. (...) We can see a lessening of inflation pressure at the moment, but the inflation forecast is at around 2%".

Getting ready for recovery

For Zsolt László Becsey (EPP-ED, HU) it was time to talk about possible recovery. He said: "recovery will happen and we need to talk about it to be ready when it comes" in terms of the competitiveness of our economy. Mr Trichet replied that "the level of uncertainty is still high; nevertheless (...) we see 2010 as the year to go back to positive figures". He stressed that this observation should be valid for the EU as well as for world economy.

Banks urged to pass on rate reductions

The effects of the recovery measures adopted so far on daily life were also among MEPs concerns and questions. Robert Goebbels (PES, LU) asked: "How can the real economy benefit from lower interest rates?" The ECB President explained that he has

urged banks in the eurozone to ensure that interest rates reductions are passed on to citizens, but "we don't think that everything has been done in this regard" and "we need to continue to urge them to do this", he concluded.

Need for better supervision?

Eoin Ryan (UEN, IE) asked about better supervision of financial markets, asking whether time was right to enlarge the Central Bank's mandate, providing it with more instruments to stimulate the economy. Mr Trichet recalled that according article 105.6 of the EU Treaty, Member States can decide, by unanimity and after consulting Parliament, to confer specific tasks on the ECB in the field of supervision. "We always said at the level of the Governing Council of the ECB that we trusted that a close relationship between the central bank and the banking surveillance authority was of the essence", he said. In case national governments take decisions in this regard, "we stand ready", concluded Mr Trichet.

Margarita Starkevičiute (ALDE, LT) asked: "The banking sector is a sector producing losses and needing reforms. Do you think it is necessary to implement certain structural reforms in the euro zone banking sector?" Mr Trichet replied: "We have to help the appropriate reshaping and restructuring going in the right direction." He added that it is "right to say that this industry must behave much more properly" and that "this is a global reflection: we need to find out very bold ways to ensure that market economies are not that fragile".

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