

"We will not hesitate to act if inflation outlook weakens", Draghi tells MEPs

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ECB President Mario Draghi painted a somewhat downbeat picture of economic developments in the Eurozone but assured Economic and Monetary Affairs Committee MEPs that the ECB "will not hesitate to act if some of the downward risks weaken the inflation outlook over the mid-term more fundamentally than we project at present". He hinted at the possibility of adjusting the size, composition and duration of the ECB's asset purchase programme, to add monetary policy impetus if necessary.

In this year's third monetary dialogue meeting on Wednesday, Mr Draghi said economic indicators had shown signs of resilience over the summer, but that the macroeconomic environment had become more challenging. "Our September macroeconomic projections indicated a weaker economic recovery and a slower increase in inflation rates than we had expected earlier this year", he said, suggesting that the key causes were slowing growth in emerging economies, a stronger euro and lower oil and commodity prices. He added that only time would tell whether lower growth rates in emerging markets are temporary or permanent and what forces were driving the drop in commodity prices.

More and cheaper loans for households and SMEs

The monetary measures currently in place continue to have a favourable impact on the costs and availability of credit for firms and households, said Mr Draghi, noting that they had boosted household demand for consumer durables and stimulated investment, particularly by small- and medium sized companies.

Five Presidents' report

On the "Five Presidents report" - the authors of which included Mr Draghi and Parliament's President Martin Schulz - he said there was still a mismatch between the requirements of sharing one currency and the current institutional framework. "The monetary union requires a political centre that can take relevant fiscal, economic and financial decisions for the euro area as a whole (...) and with full democratic legitimacy", he said, also underlining his support for a euro area treasury: "Such ideas have now to be spelled out!".

Addressing concerns voiced by Burkhard Balz (EPP, DE) that Stability and Growth Pact rules allow too much flexibility, Mr Draghi said "If we desire more sharing of sovereignty and risks, we need to build more trust. And to build trust we need to respect rules."

Banking union

S&D's Elisa Ferreira (PT) voiced concerns about stagnating growth and about unfinished business in building the banking union, saying "we should finish what we started". Mr Draghi replied that "for recovery to move from cyclical to structural, member states have to undertake structural reforms and this is a key element in building confidence and trust". The same goes for implementing what has been agreed concerning the banking union, including setting up the deposit assurance scheme, he added. Mr Draghi also advocated a common backstop for the single resolution mechanism (SRM): "Both are crucial to underpin the credibility of banking union."

Greece and the troika

Press release

Notis Marias (ECR, EL) criticised the ECB for still being part of the troika, despite the European Parliament's calls to end this. Mr Draghi replied that "the ECB will not be in the troika forever" and that the Bank complies with existing legislation. Asked by Fabio de Masi (GUE, DE) why the ECB no longer accepts Greek government bonds as collateral, Mr Draghi said: "What you ask is if we will reinstate the waiver. For that we need to be assured that Greece complies with the assistance programme, throughout different governments and that it implements structural reform and fiscal policy commitments. The next step would then be to assess if the debt is sustainable and on this the Governing Board - as you know - has serious concerns".

In the chair: Roberto Gualtieri (S&D, IT)

Further information

- Extracts from the opening statement by Mario DRAGHI :
<http://audiovisual.europarl.europa.eu/Assetdetail.aspx?ref=I108803>
- Extracts from the MEPs debate: <http://audiovisual.europarl.europa.eu/Assetdetail.aspx?ref=I108804>
- Committee on Economic and Monetary Affairs:
<http://www.europarl.europa.eu/committees/en/econ/home.html>
- Full speech ECB President Mario Draghi :
https://www.ecb.europa.eu/press/key/date/2015/html/sp150923_1.en.html

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