

"We have plenty of monetary policy instruments if needed", Draghi tells MEPs

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The European Central Bank has plenty of monetary policy instruments, and the leeway to use them if needed, ECB President Mario Draghi told economic and monetary affairs MEPs on Monday. The ECB's assets purchase programme is flexible enough to adapt to changing economies and markets, he replied to comments that it may soon run out of room to manoeuvre. Mr Draghi had already warned that the ECB Board would probably reconsider its monetary policy stance in March due to the weaker inflation outlook.

Rejecting some MEPs' description of the effects of ECB monetary policy decisions as "financial doping", Mr Draghi affirmed that "Quantitative Easing and our monetary policy decisions worked. Almost half of the recovery over the last two years can be ascribed to our monetary policy. We have seen two years of gradual growth. Growth is not spectacular, but our economy is growing". Replying to MEPs' criticism of low interest rates on savings and difficulties for pension funds, Mr Draghi pointed to the USA and Japan: "There you also have low interest rates and the problems for the pension funds are also similar".

UK's EU reform demands should not affect the single market or monetary union

Asked for his take on the UK's EU reform demands, Mr Draghi underlined that the ECB is not a party to the negotiations. "But the single market and the European Monetary Union are assets to protect", he said, adding that "any deal should not hamper any integration efforts in the Eurozone".

€500 banknotes, credit rating agencies, non-performing loans

Mr Draghi acknowledged that the ECB considers to abandoning €500 banknotes as they are increasingly used for criminal purposes.

He was not overly enthusiastic about a suggestion to place less reliance on international rating firms, and establish an independent European one instead: "The major ones are the ones that are used by investors and that is the most important criterion", he said.

Some MEPs, worried about the impact of non-performing loans on Italian banks' balance sheets, asked whether the ECB intended to purchase them as part of its quantitative easing programme. "We are not talking about buying anything", Mr Draghi countered. "They could be accepted as collateral, but that is different. For that we have criteria and we cannot discriminate", he said, adding that "the ECB never had any losses so far on its collaterals".

Euro area-listed bank stocks trading at under book values

"The recent decline in stock prices, especially those of the banking sector (...) reflected the sector's higher sensitivity to a weaker-than-expected economic outlook; it also reflected fears that some parts of the banking sector were exposed to the higher risks in commodity-producing sectors. The bulk of euro area-listed banks, although they have relatively limited exposure to emerging markets and commodity producing countries, are currently trading well below their book values. (...) We have to acknowledge that the regulatory overhaul since the start of the crisis has laid the foundations for durably increasing the resilience not only of individual institutions, but also of the financial system as a whole", said Mr Draghi.

Press release

Further information

- Introductory speech ECB President Mario Draghi
: <https://www.ecb.europa.eu/press/key/date/2016/html/sp160215.en.html>
- Videos of the debate with Mario Draghi:
<http://audiovisual.europarl.europa.eu/Package.aspx?id=35948&asset=V&type=L>

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