Introductory statement to the press conference (with Q&A)

Mario Draghi, President of the ECB, Frankfurt am Main, 5 June 2014

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Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference. We will now report on the outcome of today's meeting of the Governing Council, which was also attended by the Commission Vice-President, Mr Rehn.

In pursuing our price stability mandate, today we decided on a combination of measures to provide additional monetary policy accommodation and to support lending to the real economy. This package includes further reductions in the key ECB interest rates, targeted longer-term refinancing operations, preparatory work related to outright purchases of asset-backed securities and a prolongation of fixed rate, full allotment tender procedures. In addition, we have decided to suspend the weekly fine-tuning operation sterilising the liquidity injected under the Securities Markets Programme.

The decisions are based on our economic analysis, taking into account the latest macroeconomic projections by Eurosystem staff, and the signals coming from the monetary analysis. Together, the measures will contribute to a return of inflation rates to levels closer to 2%. Inflation expectations for the euro area over the medium to long term continue to be firmly anchored in line with our aim of maintaining inflation rates below, but close to, 2%. Looking ahead, the Governing Council is strongly determined to safeguard this anchoring. Concerning our forward guidance, the key ECB interest rates will remain at present levels for an extended period of time in view of the current outlook for inflation. This expectation is further underpinned by our decisions today. Moreover, if required, we will act swiftly with further monetary policy easing. The Governing Council is unanimous in its commitment to using also unconventional instruments within its mandate should it become necessary to further address risks of too prolonged a period of low inflation.

Let me now briefly describe the individual measures decided today. Further details will be published at 3.30 p.m. on the ECB's website.

First, we decided to lower the **interest rate** on the main refinancing operations of the Eurosystem by 10 basis points to 0.15% and the rate on the marginal lending facility by 35 basis points to 0.40%. The rate on the deposit facility was lowered by 10 basis points to -0.10%. These changes will come into effect on 11 June 2014. The negative rate will also apply to reserve holdings in excess of the minimum reserve requirements and certain other deposits held with the Eurosystem.

Second, in order to support bank lending to households and non-financial corporations, excluding loans to households for house purchase, we will be conducting a series of **targeted longer-term refinancing operations** (TLTROs). All TLTROs will mature in September 2018, i.e. in around 4 years. Counterparties will be entitled to borrow, initially, 7% of the total amount of their loans to the euro area non-financial private sector, excluding loans to households for house purchase, outstanding on 30 April 2014. Lending to the public sector will not be considered in this calculation. The combined initial entitlement amounts to some €400 billion. To that effect, two successive TLTROs will be conducted in September and December 2014. In addition, from March 2015 to June 2016, all counterparties will be able to borrow, quarterly, up to three times the amount of their net lending to the euro area non-financial private sector, excluding loans to households for house purchase, over a specific period in excess of a specified benchmark. Net lending will be measured in terms of new loans minus redemptions. Loan sales, securitisations and write-downs do not affect the net lending measure. The interest rate on the TLTROs will be fixed over the life of each operation, at the rate on the Eurosystem's main refinancing operations (MROs) prevailing at the time of take-up, plus a fixed spread of 10 basis points. Starting 24 months after each TLTRO, counterparties will have the option to make repayments. A number of provisions will aim to ensure that the funds support the real economy. Those counterparties that have not fulfilled certain conditions regarding the volume of their net lending to the real economy will be required to pay back borrowings in September 2016.

In addition, the Governing Council decided to extend the existing eligibility of additional assets as collateral, notably under the additional credit claims framework, at least until September 2018.

Third, the Governing Council decided to intensify preparatory work related to outright purchases in the **ABS market** to enhance the functioning of the monetary policy transmission mechanism. Under this initiative, the Eurosystem will consider purchasing simple and transparent asset-backed securities with underlying assets consisting of claims against the euro area non-financial private sector, taking into account the desirable changes in the regulatory environment, and will work with other relevant institutions to that effect.

Fourth, in line with our forward guidance and our determination to maintain a high degree of monetary accommodation, as well as to contain volatility in money markets, we decided to continue conducting the MROs as **fixed rate tender procedures with full allotment** for as long as necessary, and at least until the end of the reserve maintenance period ending in December 2016. Furthermore, we decided to conduct the three-month longer-term refinancing operations (LTROs) to be allotted before the end of the reserve maintenance period ending in December 2016 as fixed rate tender procedures with full allotment. The rates in these three-month operations will be fixed at the average rate of the MROs over the life of the respective LTRO. In addition, we decided to suspend the weekly fine-tuning operation sterilising the liquidity injected under the Securities

Markets Programme.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. Real GDP in the euro area rose by 0.2%, quarter on quarter, in the first quarter of this year. This confirmed the ongoing gradual recovery, while the outcome was somewhat weaker than expected. Most recent survey results signal moderate growth also in the second quarter of 2014. Looking ahead, domestic demand should continue to be supported by a number of factors, including the accommodative monetary policy stance, ongoing improvements in financing conditions working their way through to the real economy, the progress made in fiscal consolidation and structural reforms, and gains in real disposable income resulting from falls in energy prices. At the same time, although labour markets have shown some further signs of improvement, unemployment remains high in the euro area and, overall, unutilised capacity continues to be sizeable. Moreover, the annual rate of change of MFI loans to the private sector remained negative in April and the necessary balance sheet adjustments in the public and private sectors are likely to continue to weigh on the pace of the economic recovery.

This assessment of a moderate recovery is also reflected in the June 2014 Eurosystem staff macroeconomic projections for the euro area, which foresee annual real GDP increasing by 1.0% in 2014, 1.7% in 2015 and 1.8% in 2016. Compared with the March 2014 ECB staff macroeconomic projections, the projection for real GDP growth for 2014 has been revised downwards and the projection for 2015 has been revised upwards.

The risks surrounding the economic outlook for the euro area continue to be on the downside. Geopolitical risks, as well as developments in emerging market economies and global financial markets, may have the potential to affect economic conditions negatively. Other downside risks include weaker than expected domestic demand and insufficient implementation of structural reforms in euro area countries, as well as weaker export growth.

According to Eurostat’s flash estimate, euro area annual HICP inflation was 0.5% in May 2014, after 0.7% in April. This outcome was lower than expected. On the basis of the information available to us at today’s meeting, annual HICP inflation is expected to remain at low levels over the coming months, before increasing only gradually during 2015 and 2016, thereby underpinning the case for today’s decisions. Meanwhile, inflation expectations for the euro area over the medium to long term continue to be firmly anchored in line with our aim of maintaining inflation rates below, but close to, 2%. Looking ahead, the Governing Council is strongly determined to safeguard this anchoring.

Our assessment has been supported by the June 2014 Eurosystem staff macroeconomic projections for the euro area. They foresee annual HICP inflation at 0.7% in 2014, 1.1% in 2015 and 1.4% in 2016. In the last quarter of 2016, annual HICP inflation is projected to be 1.5%. In comparison with the March 2014

ECB staff macroeconomic projections, the projections for inflation for 2014, 2015 and 2016 have been revised downwards. It should be stressed that the projections are conditional on a number of technical assumptions, including exchange rates and oil prices, and that the uncertainty surrounding each projection increases with the length of the projection horizon.

The Governing Council sees both upside and downside risks to the outlook for price developments as limited and broadly balanced over the medium term. In this context, we will closely monitor the possible repercussions of geopolitical risks and exchange rate developments.

Turning to the **monetary analysis**, data for April 2014 continue to point to subdued underlying growth in broad money (M3). Annual growth in M3 moderated further to 0.8% in April, from 1.0% in March. The growth of the narrow monetary aggregate M1 moderated to 5.2 % in April, after 5.6% in March. In the recent past, the increase in the MFI net external asset position, reflecting in part the continued interest of international investors in euro area assets, has been the main factor supporting annual M3 growth.

The annual rate of change of loans to non-financial corporations (adjusted for loan sales and securitisation) was -2.7% in April 2014, compared with -3.1% in March. Weak loan dynamics for non-financial corporations continue to reflect their lagged relationship with the business cycle, credit risk and the ongoing adjustment of financial and non-financial sector balance sheets. The annual growth rate of loans to households (adjusted for loan sales and securitisation) was 0.4% in April 2014, broadly unchanged since the beginning of 2013.

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis led the Governing Council to decide on a combination of measures to provide further monetary policy accommodation and to support lending to the real economy.

In order to strengthen the economic recovery, banks and policy-makers in the euro area must step up their efforts. Against the background of weak credit growth, the ongoing comprehensive assessment of banks' balance sheets is of key importance. Banks should take full advantage of this exercise to improve their capital and solvency position, thereby contributing to overcome any existing credit supply restriction that could hamper the recovery. At the same time, policy-makers in the euro area should push ahead in the areas of fiscal policies and structural reforms.

As regards **fiscal policies**, the Eurosystem staff macroeconomic projections indicate continued progress in restoring sound public finances in the euro area. The aggregate euro area general government deficit is projected to decline gradually from 3.0% of GDP in 2013 to 2.5% of GDP in 2014. For 2015 and 2016, a further decline to 2.3% and 1.9 **%**, respectively, is projected. General government debt is projected to peak at 93.4% of GDP this year. Thereafter, it is projected to decline, reaching around 91% in 2016. As regards **structural reforms**, important steps have been taken to increase the competitiveness and the adjustment capacity of countries' labour and product markets, although progress has been uneven and is far from complete. In this context, the Governing Council takes note of the European Commission's recommendations on fiscal and structural policies, published on 2 June 2014, to continue the path of reducing budgetary and macroeconomic imbalances. The recommendation to the Council to abrogate the excessive deficit procedures for four euro area countries indicates continued progress in restoring sound public finances. However, euro area countries should not unravel progress made with fiscal consolidation. A full and consistent implementation of the euro area's macroeconomic surveillance framework, together with the necessary policy actions by euro area countries, will help to raise potential growth, increase the euro area's resilience to shocks and facilitate job creation.

We are now at your disposal for questions.

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Question: I think I need 27 questions - just joking. I'll take two, to please everybody else. The first question is on forward guidance. I noticed you dropped the lower part of the interest rates. Does that mean you can exclude any further interest rate cuts no matter what? And the second question on the targeted LTROs. How exactly will you make sure that banks will use the money in a way you would like them to use it? Will there be any extra reporting standards introduced that you can actually see the money will land at the real economy and not somewhere else? And if I may follow up on a second question on the LTROs related to this, the 7 percent number, I was wondering if that's based somehow on the Bank of England Funding for Lending scheme, and if you could elaborate very briefly to what extent that is related or not. Thank you.

Draghi: On the first question, I would say that for all the practical purposes, we have reached the lower bound. However, this doesn't exclude some little technical adjustments and which could lead to some lower interest rates in one or the other or both parts of the corridor. But from all practical purposes, I would consider having reached the lower bound today.

The second question is about how we make sure that this credit-enhancing measure is actually going to be used to lend to the real economy. The answer is yes. You're absolutely right, there are going to be additional reporting requirements. The spirit underlying this measure is the following really: First of all, the ultimate view, don't forget, is always price stability, to ensure the transmission from the financial-monetary economy to the real economy, with the objective of achieving price stability. The underlying spirit is that we want to enhance lending to the non-financial companies in the private sector. Also there are several provisions here that would require enhanced reporting on the use of the initial allocation and on the use of the quarterly allocations. So there will be checks.

There will also be, as I said, a press statement at 3.30 going through various details like that and also debriefings by the ECB staff on this. But there will be checks.

The second intention is not to interfere with the AQR and the comprehensive assessment. And the third is not to incentivise the weak banks. So that's how this has been conceived.

The third question is part of the second, in a sense. We certainly looked at the other central banks' experiences with this, and especially Bank of England. Of course, the final result is fairly different from the Bank of England's.

Question: Given the weakening in your inflation outlook, why didn't you go ahead and do a broad-based asset purchase program today, because you've mentioned that as one of the options if you have a weakening in the medium-term inflation outlook. Why didn't you just go ahead and do QE?

My second question is on the SMP sterilisation suspension. You've said you sterilised these purchases and now you're not going to do it any more. What does this say about how ironclad your commitment is to sterilise purchases under OMT?

Draghi: Let me say that we've done this. We think it's a significant package. Are we finished? The answer is no, we aren't finished here. If need be, within our mandate, we aren't finished here.

The second point is actually quite a good question. Let me answer this way. The main reason to commit to sterilisation, by my predecessor first and by myself later, was based on the effects, on the potential effects that this additional liquidity might have on inflation. When the SMP started, the inflation rate was above 2 percent. Now we are in a completely different world, so that now this decision actually takes place in the background characterised by low inflation, a weak recovery, weak monetary and credit dynamics. So that's the reason for suspending this commitment.

OMT has nothing to do with this. It's a completely different program. But the Vice President points out to me that we never said that we would sterilise with OMT. But anyway, it's a completely different program.

Question: [Thank you very much. I also have two questions for you. You announced a big package of measures. How long do you expect it will take for the full effect of these measures to develop? In other words, how soon will you have a good sense of whether this will be enough for you to achieve your aim of returning to the close to 2 percent target?

The second question pertains to the preparatory work for the ABS. Did you already discuss a potential scope of such a programme? And if so, could you give us an indication?

Draghi: Well the first question is actually important and it's also difficult to answer. Let me say why is this. The package has basically three parts. The first part is to ease the monetary policy stance. The second part is to enhance the transmission to the real economy. And the third part is the reaffirmation that we'll also use unconventional instruments if needed, if further easing is needed.

Because this will give you an idea of how long it may take to do this. First of all, the first part, namely ease the stance of monetary policy. There we lowered the corridor and we reinforced our forward guidance. The reinforcement of our forward guidance was based on two facts. First of all, the extension of the fixed-rate full allotment until the end of 2016, and second, the fixed rate on the TLTRO. So this will say that interest rates will stay low for long, possibly longer than previously foreseen. And this will feed into the money market conditions via the yield curves and the exchange rate. This is the first block.

The second is we want to make sure that these improved conditions in the money markets would be transmitted to the real economy. And that's where the TLTRO comes in. So that's why we want to make sure that this feeds into the bank lending channel because our economy is 80 percent based on banks. So it lowers the cost of term funding for banks, but only for loans to the real economy, notably for the non-financial companies of the private sector.

When do we foresee we'll see some outcome? It's very difficult to say. Most likely we will see immediate effects on the money markets and we will see delayed effects on the real economy attributable to this programme. I'm not saying that in the meantime the real economy couldn't actually recover more. But attributable to this programme, it would probably take three or four quarters.

On the ABS, we did not discuss the scope of the ABS, other than again reaffirming that it should be real economy-oriented, oriented towards non-financial companies of the private sector. And on ABS, you know that last Friday we published the paper with the Bank of England, and if I have to summarise what's the ideal ABS we are looking, we are striving for, should have three features. It should be simple, so no complex CDOs, cubes or squares. It should be real, so ABS based on real loans, not based on derivatives. And it should be transparent, namely there should be information available for ABS underwriters, whoever trades the ABS. They should understand what they trade, what they are trading on.

And that's why, for example, one of the initiatives that the ECB has decided some time ago, namely to build a book of loan-level data comes very handy now. Other initiatives like credit registers that some countries have also are important for this. So basically: simple, real, transparent.

Question: I think most would agree that the European Central Bank has been very good in providing the Eurozone financial system with cheap and plentiful supply of liquidity. So what is it exactly about this targeted LTRO that makes you think that you'll get a lot of demand from the banks for the liquidity you're putting on offer here given that we have seen a reduction in excess liquidity.

For my second question, the inflation projections I'd assume would not take into account the May figure given that that was released after the cut-off point. How much does the May figure of 0.5% concern you? How much closer does it take you to thinking that there's a real threat of what you refer to as a pernicious negative spiral?

Draghi: Well first of all, let me correct what we said before in answering to an earlier question. Yes, there was a commitment for OMT to sterilise, so I'm correcting this. But having said that: It is a different programme, completely different programme.

Now let me say something I haven't said. The first question you ask in these press conferences: “Was it unanimous?” Now this time it was unanimous. I'm really very grateful to all my colleagues in the Governing Council because being able to agree to have unanimity on such a complex set of instruments means a very, very extraordinary, unusual degree of consensus.

And you can imagine we had a very deep, prolonged discussion because, of course, there were different ideas about different components, although it was pretty clear there was a great consensus emerging immediately. And in the end, I think the Governing Council was capable to reach unanimity around one concept, which is the one I have illustrated to you.

Now what is in this LTRO, in this TLTRO that makes it different? Several things; The cost, obviously it's very low. The term maturity is four years. And the determination that this money not be spent on sovereigns and on sectors that are already experiencing or are just coming out of a bubbly-ish situation. So that's what is in it.

Now on the threat, when I've been asked in the past about whether I was seeing deflation, the answer was, and still is, by the way, we don't see deflation. We don't see that typical feature of a self-fulfilling negative spiral of self-fulfilling expectations. We don't see households postponing their spending plans and we don't see the various features of this phenomenon that I have mentioned on other occasions.

Let me also say that in the past we said that the main factors of this low inflation were the basically low growth rate of prices for food and energy and the exchange rate and also, to some extent, the persistent weak demand. Now not much has changed in terms of the causes of inflation. But what is changing and is in the process of changing is what I often say, the longer it lasts, the higher the risks. And that's what we are reacting to. We are reacting to a risk of a too-prolonged period of low inflation.

The other cause I mentioned, for example, was the relative price adjustment that was needed and is needed in some countries, the idea being that relative price adjustment is a once-and-for-all phenomenon. It stops and then inflation goes back. Now the longer the inflation doesn't go back, without denying the need for the relative price adjustment, which is essential to restore competitiveness and growth and job creation in these countries, but the longer the inflation doesn't go back, the more the Governing Council is in a, say, watchful position.

Question: You said a few minutes ago that you're not finished. Is it safe to assume that the next step, given the comprehensiveness of the measures that you've announced today, that the next step would have to be some form of large-scale asset purchases or QE? And if so, can you give us any idea of how that would work in the European context given the structure of the capital markets here?

Draghi: Let me ask you, when we lower interest rates, are you going to ask when you lower interest rates again? No. Not. So we've just taken a decision which, as you can see, is fairly articulated and certainly in reach of different aspects and certainly very significant. It's quite clear that we are not finished if need or further reason is going to come out, is going to be needed.

If such a need were to come, the introductory statement says that the Governing Councilis ready to use also unconventional instruments. The broad-based asset purchase programme that you mentioned is certainly one of these unconventional instruments.

Question: Mr Draghi, the President of the German Saving Banks Association is accusing the ECB of an expropriation of savers. What is your response to that criticism?

And secondly more generally asked what is your message today to the German savers who suffer from very low interest rates?

Draghi: Let me address first the first question. I think there is a deep misunderstanding here. The rates that we've changed are for the banks, not for the people. Of course, commercial banks may react to our decision by choosing to lower their rates if they think they should do so, and this would be then transmitted to savers. But it's not us. It's a decision taken by the banks. So it's completely wrong to suggest that we want to expropriate savers. Our package of measures actually means exactly the opposite. It's meant to restore growth, to promote the recovery. And this will allow interest rates to return to a higher level.

And this is part of the response that I want to give you to your second question. The concerns of the savers should be taken very seriously. When we say savers here, we should have clear in mind, these are people who have saved most of their lives to provide for their retirement. These are people who've signed a policy, insurance policies with insurance companies and they see the value of these insurance policies going down. So these concerns are serious. And here the answer is that the interest rates will go up, will go up when the recovery will come back, when growth will come back.

Question: Just a quick question on the ABS purchases on which the ECB is intensifying its preparation. Among the discussions that the councilmembers had, was there the possibility that many, for instance, US investors rush to buy such products, thereby basically pushing an upwards pressure on the euro? And are there any possible countermeasures? Have they been taken into consideration?

Draghi: We are working on the ABS, but you know that there are also other actors that would have to work on this, namely there has to be a re-visitation of the regulation that had been introduced in the past few years about ABS to eliminate some of the undue discriminations towards this specific product when this product is simple, real and transparent. So this is the key point.

Now if this effort by ourselves, by the other relevant institutions, because clearly there are other institutions that are working on the same issue, by the regulators, were to produce a product which is so attractive for the world, that means there will be a very sizeable financing inflow for the SMEs and the real economy. So that would be the greatest success. And for us in Europe it would certainly help to restore a one capital market and to fight fragmentation which is, in my view, one of the most important causes of the present crisis. I would value these benefits much more than the exchange rate.

Incidentally, one of the reasons for the strength of the exchange rate was the inflows coming from outside from investors interested in euro area economies, and that has moderated quite so in the last quarter.

Question: The German Bankers' Association also described what you've announced today as a disincentive to structural reform, but it seems that in announcing this package today you have shown that you are comfortable with the level of structural reform that governments are currently implementing. So that's my first question. Is the German Bankers' Association wrong?

And my second question relates to the knee-jerk reaction we've seen from European politicians to the outcome of the elections. France, Spain, other countries are now looking at cutting tax rates and stepping back from the more aggressive fiscal reform programmes that were in place. Do you think that that is a bad idea at this stage given the high levels of government debt we still see in Europe?

Draghi: First, our package is not a disincentive for structural reforms. They are two different things. We have a mandate. The mandate is price stability. And the Governing Council is unanimous and determined to take actions, any action, within this mandate to reach the objective of price stability.

Are we comfortable? You said something which actually I wouldn't agree completely. Are we completely comfortable with the degree of progress about structural reforms by the governments? No. No. Let me go back to the introductory statement because there was a sentence exactly addressing your viewpoint here. It's quite a cautious sentence. It says, "As regards structural reforms, important steps have been taken to increase the competitiveness and the adjustment capacity of countries' labour and product markets, although progress has been uneven and is far from complete." Now that's not a statement of satisfaction. So that is quite clear.

So no relation between this programme and that. This programme basically complies with our mandate, which is price stability. Second, no satisfaction. Some progress but no satisfaction.

Your other question raises a quite important point. I would say the word, the message that the ECB has sent has always been you have to consolidate your budget, but governments have to do so in a growth-friendly way. And the growth-friendly way means lower current government expenditure, lower taxes, to the extent that it's possible within the stability and growth pact higher capital goods expenditure, higher public investment and all this should be accompanied by structural reforms. If any of these pieces falls down then you don't have a growth-friendly consolidation.

If governments pursue fiscal consolidation only through the increase in taxes, we have what we have today, namely that this is the area of the world where you have the highest taxes. And that doesn't seem to be conducive to growth. If governments think that they can consolidate the budget and that's enough and they don't pursue structural reforms, you can see that that's not sustainable.

Question: Mr Draghi, in France, Manuel Valls, the Prime Ministers, is sometimes compared to Matteo Renzi. What do you think about that? Do you believe that France is doing enough with its current structural reforms?

And second question regarding the exchange rate. You say that strong euro is a serious concern for the ECB, even if you don't have any target. Do you think it's possible to see euro fall back to its initial level against dollar at 1.17?

Draghi: Well you're really asking too much from me if you ask me to make comparisons between European leaders. I have nothing to say about your first part of the first question.

On the other part, I think all countries should continue to do structural reforms. And the governments of the countries that are lagging behind know better than anybody else that they need these reforms.

The second part about the exchange rate: I've often said the exchange rate is not a policy target, but it's very important for price stability and growth. And I think we've discussed on other occasions how the current level of inflation has been impacted by the appreciation of the exchange rate.

If we go back to the last three years, we have two stories. First, the first half of the last three years, it was mostly the declines in the price of oil and food and perhaps some other commodities that have accounted for something like 75%, 80% of the difference between inflation then and inflation now. Then, in the last year, it was the prices in dollar terms haven't moved much; it was the exchange rate that has accounted for the decline in inflation.

Question: So my first question is you have given us a new TLTRO, a sterilisation programme. You have extended the full allotment period and so forth. So if I'm not mistaken, this means over EUR500b worth of liquidity. Of course we'll each have to go back home and calculate what it means. But my main question is how sure can the ECB be that these programmes are going to create inflation? And I'm saying this when I'm looking at your forecast for 2015 and 2016, 1.1 and then 1.4, because even the Federal Reserve, after three periods of quantitative easing, was not successful enough to create that sort of inflation. And this was one of the major drawbacks that money markets couldn't predict. So that's my first question.

My second question is with regards to the emerging markets, of course, and for the emerging markets to understand the ECB's forward guidance better, you have given us three stages for this programme to work. And the second was the fact that money markets are going to take this message and improve better. So as the ECB, do you evaluate the effects of this programme on emerging markets?

Draghi: Well we are confident. I think it's been said in the introductory statement, we are confident the measures that we've taken will drive inflation close to 2 percent in the medium term. It says, "Together, the measures will contribute to a return of inflation rates to levels closer to 2%. Inflation expectations for the euro area continue to be firmly anchored," etcetera. So we do expect these measures to take effect. So that's the answer to the first question.

But also keep in mind that the recovery isn't finished. The recovery is low, as I've said many times. It's fragile. It's uneven. But it's there. And we've also observed the labour market has shown signs of stabilisation. The unemployment rate in particular has stabilised and also has shown some signs of going down. So this gives us relative confidence that the measures we've taken today will contribute to reach our objectives in the medium term.

On the second point, you know it's an issue that comes out each time the central bank of a large jurisdiction takes a monetary policy action, and namely the spill-overs for emerging markets. In my view there are a few considerations one can make. The first thing is to say that it's very difficult today to conceive a structured cooperation framework for the central banks, because each central bank is bound by its national mandate, which for us is price stability. There is and there should be more exchange of information. And the central banks of all countries are actually working actively to this extent.

But the major actors in this process are of different types. First of all are the governments. The governments of the emerging market countries should undertake the needed economic policies, namely stability-oriented economic policies, which means budget consolidation, which means structural reforms. It's not coincidental that the last time we had a big spill-over coming from a monetary policy decision of one large jurisdiction, not us, the most affected emerging market countries were also the countries the fundamentals of which were the weakest. So this is one set of actors.

The other actor, very important actor, is the IMF, which is the only institution that can actually put in place a facility that could help emerging market economies to cope with transient but very significant spill-overs. There is such facility already in place. It's the flexible credit facility, the FCL. And it's been used. It's been used by at least, as far as I can remember, by Mexico and Colombia in the last few years with success. But there are other considerations that prevent some countries from accessing that facility or the IMF directly, which makes it difficult for them to do so. So work is ongoing on that front as well.

Question: What is your assessment, Mr Draghi, of the rise of nationalist and far-right parties in the European election? Does this suggest to you that political leaders and central bankers indeed are at risk of losing too much support for their response to the crisis?

And my second question relates to claims made by Joan Burton, a minister in the Irish government, who is a candidate now to be deputy leader of the Irish government, who says that the limits of austerity have been reached in crisis countries such as Ireland.

Draghi: There's good reason for deep reflection, for thinking. First of all, one would say that the emergence of these nationalistic movements in different parts of Europe would prompt one thing. It would prompt a deeper reflection on Europe. But the first answer that one would give is that certainly it's not going back to square whatever, zero. That is the optimal response for resolving the problems of today's Europe.

The other consideration relates to the functioning of the European Parliament after the elections. And the most informed analysts' view is that the European Parliament can actually function and continue its constructive role as in the past.

The third point, or perhaps the first, is to acknowledge that diversity of views is an expression of democracy and therefore it is to be welcomed.

But frankly, I think it's a very good time to think deeply about how we can improve Europe. How can Europe become again a construction that delivers not only peace, which is not a small achievement, which has been delivered for a long time, but also prosperity and jobs?

Now on your second question, I frankly wouldn't have much to add to what I said before. We shouldn't forget that one of the reasons for this crisis was the condition in which many budgets of European countries were at the beginning of the crisis and the level of debt and deficits in many countries. This was not the only cause of the crisis, but certainly it was one of the important ones. So we don't want to go back to that situation. And that's why I always insist to growth-friendly fiscal consolidation.