EUROPEAN CENTRAL BANK
EUROSYSTEM

PRESS CONFERENCE

Mario Draghi, President of the ECB,
Luis de Guindos, Vice-President of the ECB,
Frankfurt am Main, 25 July 2019

INTRODUCTORY STATEMENT

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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 Dombrovskis.

Based on our regular economic and monetary analyses, we decided to keep the **key ECB interest rates** unchanged. We expect them to remain at their present or lower levels at least through the first half of 2020, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to our aim over the medium term.

We intend to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

The Governing Council also underlined the need for a highly accommodative stance of monetary policy for a prolonged period of time, as inflation rates, both realised and projected, have been persistently below levels that are in line with its aim. Accordingly, if the medium-term inflation outlook continues to fall short of our aim, the Governing Council is determined to act, in line with its commitment to symmetry in the inflation aim. It therefore stands ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner.

In this context, we have tasked the relevant Eurosystem Committees with examining options, including ways to reinforce our forward guidance on policy rates, mitigating measures, such as the design of a tiered system for reserve remuneration, and options for the size and composition of potential new net asset purchases.

Incoming information since the last Governing Council meeting in early June indicates that, while further employment gains and increasing wages continue to underpin the resilience of the economy, softening global growth dynamics and weak international trade are still weighing on the euro area outlook. Moreover, the prolonged presence of uncertainties, related to geopolitical factors, the rising threat of protectionism, and vulnerabilities in emerging markets, is dampening economic sentiment, notably in the manufacturing sector. In this environment, inflationary pressures remain muted and indicators of inflation expectations have declined. Therefore, a significant degree of monetary stimulus continues to be necessary to ensure that financial conditions remain very favourable and support the euro area expansion, the ongoing build-up of domestic price pressures and, thus, headline inflation developments over the medium term.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. Following a rise of 0.2% in the fourth quarter of 2018, euro area real GDP increased by 0.4%, quarter on quarter, in the first quarter of 2019. Incoming economic data and survey information continue to point to somewhat slower growth in the second and third quarters of this year. This mainly reflects the ongoing weakness in international trade in an environment of prolonged global uncertainties, which are particularly affecting the euro area manufacturing sector. At the same time, activity levels in the services and construction sectors are resilient and the labour market is still improving. Looking ahead, the euro area expansion will continue to be supported by favourable financing conditions, further employment gains and rising wages, the mildly expansionary euro area fiscal stance and the ongoing – albeit somewhat slower – growth in global activity.

The risks surrounding the euro area growth outlook remain tilted to the downside, reflecting the prolonged presence of uncertainties, related to geopolitical factors, the rising threat of protectionism, and vulnerabilities in emerging markets.

Euro area annual HICP inflation increased to 1.3% in June 2019, from 1.2 % in May, as higher HICP inflation excluding food and energy more than offset lower energy price inflation. On the basis of current futures prices for oil, headline inflation is likely to decline over the coming months, before rising again towards the end of the year. Looking through the recent volatility due to temporary factors, measures of underlying inflation remain generally muted. Indicators of inflation expectations have declined. While labour cost pressures have strengthened and broadened amid high levels of capacity utilisation and tightening labour markets, the pass-through of cost pressures to inflation is taking longer than previously anticipated. Over the medium term underlying inflation is expected to increase, supported by our monetary policy measures, the ongoing economic expansion and stronger wage growth.

Turning to the **monetary analysis**, broad money (M3) growth stood at 4.5% in June 2019, after 4.8% in May. Sustained rates of broad money growth reflect ongoing bank credit creation for the private sector and low opportunity costs of holding M3. The narrow monetary aggregate M1 continues to be the main contributor to broad money growth on the components side.

The annual growth rate of loans to non-financial corporations remained unchanged at 3.8% in June 2019. Notwithstanding some moderation from the peak recorded in September 2018, the annual growth rate of loans to non-financial corporations continues to be robust. The annual growth rate of loans to households also remained unchanged at 3.3% in June, continuing its gradual improvement. Overall, loan growth is still benefiting from historically low bank lending rates. The euro area bank lending survey for the second quarter of 2019 indicates that loan growth continued to be supported by increasing demand across all loan categories. At the same time, credit standards for loans to enterprises tightened in the second quarter amid concerns about the economic outlook, while they remained broadly unchanged for loans for house purchase.

Our monetary policy measures, including the forthcoming new series of targeted longer-term refinancing operations (TLTRO III), will help to safeguard favourable bank lending conditions and will continue to support access to financing, in particular for small and medium-sized enterprises.

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis confirmed that an ample degree of monetary accommodation is still necessary for the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term.

In order to reap the full benefits from our monetary policy measures, other policy areas must contribute more decisively to raising the longer-term growth potential and reducing vulnerabilities. The implementation of **structural reforms** in euro area countries needs to be substantially stepped up to boost euro area productivity and growth potential, reduce structural unemployment and increase resilience. The 2019 country-specific recommendations should serve as the relevant signpost. Regarding **fiscal policies**, the mildly expansionary euro area fiscal stance is providing support to economic activity. At the same time, countries where government debt is high need to continue rebuilding fiscal buffers. All countries should reinforce their efforts to achieve a more growth-friendly composition of public finances. Likewise, the transparent and consistent implementation of the European Union's fiscal and economic governance framework over time and across countries remains essential to bolster the resilience of the euro area economy. Improving the functioning of Economic and Monetary Union remains a priority. The Governing Council welcomes the ongoing work and urges further specific and decisive steps to complete the banking union and the capital markets union.

We are now at your disposal for questions.

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Mr Draghi, could you perhaps elaborate whether this decision to pronounce a potential package as soon as September was taken unanimously?

The second question would be on the potential APP; are there any restrictions in terms of asset classes or do you look at the whole variety of what is out there?

First let me give a sort of summary account of our discussion as it's taken place. First of all, the first discussion where there was broad agreement, broad convergence of views, was the assessment of the current outlook; namely an outlook where you still see signs of strength in the economy as I just read. Labour market and nominal wage growth support consumption. Generally speaking, you have resilience in the service sector and the construction sector. At the same time, this outlook is getting worse and worse and it's getting worse and worse in manufacturing especially. It's getting worse and worse in those countries where manufacturing is very important. But because of value chains, this propagates all over the Eurozone and so this must be taken into account. The reasons were basically found to be in the general uncertainty that's now been with us for several months, actually more than a year, and which relates as I said many times to trade wars, to geopolitical tensions, too.

Now, also the possibility of a hard Brexit certainly is another factor to take into account and the slow rotation of the Chinese economy, all these factors and probably others are affecting the present outlook and weakening it. That's the situation. Our last projections were in a sense suggesting that we might have had a rebound in the second part of the year. Now incoming signs show weakness of growth in the third quarter as well. So this rebound becomes less likely now. All in all, the balance of risk was assessed to be on the downside, for the reasons that I've just mentioned, and also for the very fact that the simple – and this point I've made at other times – the simple prolonged lingering of this uncertainty is by itself a materialisation of one of these risks. On the inflation side, we basically saw inflation which is below our aim and we see projected inflation that says that convergence is further out in time, though as I've said on another occasion, the informational content of market-based inflation expectations has to be assessed, taking into account certain technical conditions of these markets. However also in the SPF, the Survey of Professional Forecasters, inflation expectations have gone down so that's what led the Governing Council to these proposals, to the various proposals. So, if I can go through them again: First of all the introduction of the easing bias through the introduction of the word "lower", and at least through the first half of 2020 and in any case, for as long as necessary to ensure the continued sustained convergence of inflation to our aim over the medium term. You will see in the set of proposals all over a consistent degree of optionality, very much in the same way we've done on other occasions. We intend to continue reinvesting in full the principle payments for maturing securities purchased under the asset purchase programme for an extended period of time past the date when we start raising the key ECB interest rates, and in any case, for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Then we move to this point where we underline the need for a highly accommodative stance on monetary policy for a prolonged period of time. The acknowledgement that inflation rates, both realised and projected, have been persistently below levels that are in line with our aim. This again is new to our language. Then it says accordingly if the medium term – and this is the trigger for our action, which basically reflects very much what I'd said in Sintra – outlook continues to fall short of our aim, the Governing Council is determined to act. That's the third point; determination to act. Then there is another new language here: in line with its commitment to symmetry in its inflation aim. So that's another part of the language that is new. That says again what I said in Sintra but it moves a step forward; namely that we stand ready to adjust all of our instruments as appropriate to ensure that inflation moves towards its aim in a sustained manner.

Then there is another new part where we say that we've tasked the relevant Eurosystem Committees, so we not only affirm our determination but we move a step forward. We task the committees with examining options, including ways to reinforce our forward guidance on policy rates, mitigating measures such as the design of a tiered system for reserve remuneration and options for the size and composition of potential new net asset purchases.

To answer your question - was this unanimous? We had a broad discussion. On certain things we converged, like the outlook. On other things most people converged with this, otherwise we wouldn't have this in the introductory statement. But again whenever we have a package so complex as this, you would expect that people have different nuances about different parts of the package. The point is that it was approved as a package after a fairly broad discussion, by converging to what I have just read to you. So that's what it is at this point in time.

You asked me more specifically about the mandate to the committees. It's a broad mandate. We're here, we have a list, that's what we know, that's where we stand, ready to act. That's what we have had in the past and that's what the language says, basically.

The first question is about the ECB's objective. The close, but below, 2% is no longer in the monetary policy decision; it's in your introductory statement but not in the decision, so does that mean something? Can we expect the ECB to rephrase, redefine its policy objective?

The second question is about the constraints that the ECB has chosen to force upon itself on the PSPP. Now, there are two key constraints; one is the capital key and the other one is the issuer limit. While they are both a choice of the ECB, the latter, the issuer limit, also has to do with the issue of not becoming a blocking minority. Does that mean that that constraint should be regarded as harder and more difficult to get away from rather than the capital key, which is entirely discretionary and decided upon by the ECB?

On the second question I'll be in a better position to answer you in September. We didn't discuss that. For the time being however, you can refer to my Sintra language, the language in my speech at Sintra, where I talked about the headroom and the limits and how to view these limits.

On the other point: no, there isn't any change really. In fact, it's true it's not there in the first page; it's in the fourth page, it's just what it is. But we had a discussion about symmetry and there is a sense in the Governing Council that there should be a reflection on the objective: namely is it is close to but below 2%, or, should we move to another objective? There were different Governing Council members suggesting that we should carry out a reflection on this. Now, it's an important change so we just want to think about it seriously. In the meantime, however, the main thing in this introductory statement is that the Governing Council – I think I have said this many times, but now it's in the introductory statement – reaffirmed its commitment to symmetry around the inflation aim, which in a sense is 1.9 – it’s close to, but below, 2%. At the same time, we say we don't like the current inflation. So, there is no question about accepting lower inflation as we are seeing today. These two things must be read together.

The bottom line of the discussion that I reported to you before is that we don't like what we see on the inflation front. The symmetry means basically that there is no cap, or 2% cap, and that inflation can deviate on both sides. We don't accept permanently lower inflation rates. Symmetry means that the Governing Council will act with the same determination whether inflation is above or below the inflation aim. I think that's important to read in the full context.

Just for my first question, I'd like to follow-up on your answer to a previous question. You mentioned there was some disagreement about nuances; would it be maybe possible to detail them a little bit more whether there was any debate on any size of package or scale or timing of a rate cut, that most people now suspect will happen in September?

My second question: we've seen quite a lot of bad data this week, notably, on German manufacturing and German companies more broadly in the Ifo publication today, that led to some expectations of action as soon as today. Was there any discussion of that at the Governing Council meeting this morning? Any discussion about taking action as soon as today, basically; to do a rate cut as soon as today, or other measures as soon as today?

Nuances were mostly, if not only, about what to do, whether we should have a package, what to do first among this list of instruments. Well, you know that some Council members have doubts about the two-tier system. So we had that discussion as well and now the statement says that if we are to lower interest rates, that will come with mitigating measures. That is quite clear. The nuances were of that sort of nature. There was no absolute exclusion of any instrument. That's reflected well in the breadth of the mandate that's been given to the committees.

On the second point where you asked whether there was any discussion today: no, there wasn't. There wasn't because the sense is that we see an outlook… Well, first of all, on the inflation front we don't like what we see. That's very important. Second, we see an outlook which is in a sense… Let me just step back and recall: in the last G7 meeting when I was asked to make the assessment for the euro area economy, I said, "Look, it's difficult to be gloomy today because the present situation is one where you see signs of strength." At the same time, you see especially in certain sectors, in certain countries, a quickly deteriorating economic outlook. Given that we had the last June projections we decided that we want to see the next projections before taking action. And also the sense is that all this is pretty complex, and needs preparation.

My first question is about the tiering system because you mentioned obviously that you tasked committees to look at a tiering system. Are you taking any of the systems that are already in place in various countries as a benchmark as your reference point because you're probably the only central bank with negative rates that doesn't have mitigating measures? I assume it's been difficult to introduce, to come up with a standard that will fit the Eurozone. If you could tell us a little bit more about that.

Also my second question: you talk about the committees. You said that they will look at the options about the size and the composition of the net asset purchases. Does that mean you do not exclude the possibility that other assets could be added to the programme if it's relaunched?

On both questions, we placed ourselves in the hands of the committees, so first question is: what shape will the tiering system have? We have to have the committees' work and decide how to design the system. Certainly the experience of other countries' central banks will be an important element in this design. But we are in the hands of the committees. Same thing with the second question. We wanted to have a broad mandate but not that broad, after all, but basically leaving us some leeway for the committees to reflect, because of the complexity of the situation. So they have to assess many aspects of the current outlook.

In terms of this new language on the symmetry of the ECB's target, is that something that has formally changed or that there would have to be some kind of formal agreement about shifting the strategy of the ECB on that, and has it happened?

My second question is, it was relating to the previous question: was there any discussion about the size of a potential rate cut or the types of assets that you might look into buying?

The answer to the second question is no. There wasn't any. As I just said, it was a meeting where we… It was based on two… If I just try to summarise the main lines of the meeting, one was an assessment of the current growth outlook and especially of inflation, current and projected. As you know, inflation expectations now have been at historical lows for some time. So we have to consider that. With the admission – and that's again very important – with the admission that we don't like this. The second part was based on how to design this preparation, but not really discussing the various aspects of this. We didn't discuss them at all, really.

You've said that the outlook is getting worse and worse and that a rebound of the economy is getting more unlikely. Would you agree that the risk of a recession in the euro area and especially in Germany has increased?

My second question: US President Trump has recently again accused Europe of currency manipulation.

Another time? I was not aware! I'm sorry to interrupt but go ahead...

Do you fear that the international consensus to avoid a currency war will fall apart now?

The answer to the first question is no. We still see the risk of a recession as being pretty low, all in all. We still see signs of resilience in the labour market, which continues to improve, admittedly with a lower and lower momentum. But we are going from a peak to peak here in terms of jobs created, in terms of unemployment rates, in terms of employment rates. In terms of dispersion across countries as well. Also the nominal wage growth is above historical averages[1]. All these elements support consumption. So, on the one hand you have consumption. Services are still resilient and then you have construction. On the other, you have manufacturing. Now, in some countries manufacturing is a very important part of their economic activity and a slowdown in that part is affecting other countries as well.

What's hitting the manufacturing sector in Germany and also I think in Italy and to a lesser extent, in other countries, is what you would call an idiosyncratic shock. Here what becomes really very important is fiscal policy. We said that the mildly expansionary fiscal policy is supporting activity in the euro area. But if there were to be a significant worsening in the Eurozone economy, it's unquestionable that fiscal policy – a significant fiscal policy, mostly in some countries but also at the euro area level – becomes of the essence. This was a point I made in Sintra but I started making this point way back in 2014 in a Jackson Hole speech: monetary policy has done a lot to support the euro area and continues, as you can see today, to do a lot but if we continue with this deteriorating outlook, fiscal policy will become of the essence.

On your second question: I can restate what I said in Sintra: we don't target exchange rates. Our mandate is price stability and we have an international consensus about avoiding competitive devaluations and we stick with that international consensus, which has been, by the way, a pillar of our multilateral construction. There have been these various observations and we simply restate our mandate on this.

I have two questions, still on the package. One is: given that mitigating measures are notably looked into, does it mean that we have reached the reversal rate for the euro area? Or are we getting close to it? If it is not at the euro area level, are there some states or some banks that are closer to a reversal rate?

Another question is on the order of the instruments in the package. I've also seen that in the accounts. Is it random alphabetical order or can we look into first rates and then QE?

Legitimate questions, both of them. The answer to the second one: no, it isn't any order – and it's deliberately so. Even whenever I said all instruments are on the table, I myself have been very careful about not saying what we'd like more, what should come first, whether they should come together or whatever. It's just that we are not yet at that stage.

The other question is about whether we reached the reversal rate. No, we see no sign of that. The point to be made is that on the last occasion when we extended our forward guidance last June, the analysis would show that at that level of interest rates or this level of interest rates, and for that period of time of the forward guidance, the consequences on the profitability of the banking system were not significantly negative or negative at all. In other words, there was no evidence that this would have any significant impact on that. So now we have to see if further negative rates or even possibly – but we are not talking about it now – a different calendar [date], would affect banks' profitability. We are not at the reversal rate. Certainly there is a danger to protract the negative rates for a long period of time. The sense is that we have to consider them.

If four years of QE and 2.6 trillion didn't do the trick and achieve the goal, how would more QE help and what would be different?

First of all, it did do the trick. It did the trick because it raised inflation from where it was in 2014. At the same time we had the materialisation of a variety of risks. What monetary policy has done is really counteracted the influence, the effect that this materialisation of various risks might have had on economic activity and inflation. On economic activity you can say it really did the trick in the sense that we moved from massive unemployment to a condition that most people would define, certainly in certain countries, as one of full employment. Each time we meet, we have the number of jobs created and that keeps on going up now. We are now at 11 million over a five-, six-year period. Never have so many jobs been created in this part of the world over such a stretch of time.

We lay out the conditions for the price, for the cost pressures to be passed into price pressures. Now, this pass-through is taking longer than expected and so that's why we've got to keep being persistent and patient. By the way, this slowing in the pass-through is not something that we're experiencing only in the euro area, as you know. It's pretty spread, but that doesn't really exempt monetary policy from undertaking its task and doing what is necessary to achieve its objective. And let me repeat here: it's fiscal policy, which will be called into action soon.

Now that we know the name of your future replacement and that the Governing Council has found no objection, have you given a thought to what you will do at the end of your mandate? I mean professionally, of course.

Then I have a second question: I would like to ask about the usual process of BBVA, how it has evolved in the last days. Is the ECB worried at all?

On the first question, I haven't come to a determination of what I will be doing in the future. Let me say one thing about my successor. I think she'll be an outstanding President of the ECB and I'm saying this with the knowledge that comes from having known her for longer than she and I may like to remember. And if you think about the way decision-making has been actually done in the IMF, it's collegial; it uses the vast input of the staff, of economists. It involves discussions with colleagues, with the staff, with the various parts of the IMF. It isn't that different from what we do at the ECB.

De Guindos: On the second question: it's very simple. As you are fully aware, this is in the hands of the Spanish justice and we have to wait for the decisions taken by the judge.

You mentioned an idiosyncratic shock in Germany and Italy and then you mentioned the very important fiscal policy. I don't know if the two things are related so my question is about the clarification of this, because of course as we all know, the fiscal positions of those two countries are very different. Can you explain further on this?

Looking back at all our experience and comparing it with what happened in the United States – and by the way, I think I went through this comparison in my speech in Sintra – you see that a supportive fiscal policy allows monetary policy to perform the same task as we did with less side effects and faster. When the outlook deteriorates, this becomes more and more important. That's what it means. For me going beyond this, at this stage, would be premature but I think we should have this in mind.

I'm connecting to the question of my colleague. When you talk about monetary policy, fiscal policy, you were talking about investments, public and private investments. You were talking about we have a problem with the export-based model, particularly in Germany. Are you talking about this?

I haven't reached that degree of specificity. I think fiscal policy was important, is important, will be even more important if the economic situation deteriorates everywhere. And I think fiscal policy should be pursued, maintaining credibility on the markets because if you expand and interest rates go up, then of course you frustrate the main aim of fiscal policy. The main thing is what I said already. It's really important and each country has its own agenda on what is the best fiscal policy to be activated against idiosyncratic shocks.

In the last couple of weeks, members of both the Executive Board and the Governing Council have given speeches that appear to call into question the relevance of market-based inflation expectations to the monetary policy-making decision process. Today's announcement however might appear to lend some support to those same market-based expectations. I wondered if you could say a few words about that.

My second question was: why did the Governing Council choose to retain the calendar-based leg of the forward guidance today? Was there any discussion of discarding or just amending it?

The answer is: we discussed not the substance but when to have a discussion about this, which is in September. As you see, the introductory statement says: in this context we have tasked the relevant Eurosystem Committees with examining options, including ways to reinforce our forward guidance on policy rates. So you can see that the mandate is broad there. We have the committees that will think and they will discuss and they will make proposals to the Governing Council on the occasion of the next projections. On inflation expectations, it's true, it's market-based inflation expectations that are being questioned for a variety of reasons; are they a completely reliable indicator? Then some say different expectations, more relevant to the real life of people, of individuals ought to be considered. The point is that we still have that as a yardstick and it would be a mistake to be complacent about that – which doesn't rule out an examination of all these other expectations. But keep in mind that the Survey of Professional Forecasters' expectations have declined as well. That is something I would point your attention to, because SPF expectations have been pretty sturdy for a long period of time. So the fact that they, too, have gone down is something that we should look at.

Some economists say that when people assume rates will stay very low anyway, they might no longer invest or hurry up investing because there is no point. What do you say about that?

So if now we have to anticipate the rates staying low for even longer, that there will no longer be any effect on investments because people think it doesn't matter; we have time forever, basically.

First of all, that's not what we are seeing in construction. I think people basically want to buy houses. Houses get built and then as you can see from house valuations, they are going up in several parts of the euro area. So I'm not sure that this negative conclusion about the effectiveness of lower rates on the economy is warranted by facts. Certainly we have to ask ourselves: are all these instruments going to be effective forever? I think that's a legitimate question to ask. We believe they are effective. Are there decreasing returns? Maybe there are as well, but would that exempt monetary policy from doing what is necessary or what we believe necessary based on the current information? The answer is no.

Like my colleague on fiscal policy. Some countries could do an expansive fiscal policy, but they don't want to do it. Other countries would like to adopt an expansive fiscal policy, but for budgetary

reasons they can't. In this context, monetary policy can do a little. Should we resign ourselves to a secular stagnation?

Second question on Libra, Facebook's cryptocurrency: did Libra alarm the institution because it had a collateral and the central bank must do expansive monetary policy?

On Libra, we didn't discuss that in this meeting of the Governing Council, but we did discuss this quite extensively in the G7. The bottom line of this discussion is that there is interest of course by the G7 governments, and I believe by all the governments in the world, for this development. But there was a pretty unanimous view that there are concerns as well as interest and we and they better first address the concerns. These concerns are concerns about cybersecurity, AML/money laundering, terrorism financing, use of these currencies for criminal purposes. All this is linked also to the anonymity, how would this work? At the same time, concerns about privacy. I mentioned cyber risks. Tax evasion, monetary policy transmission, financial stability and the global payment system. How would this change the global payment system? All these concerns are substantial. They need to be addressed before the regulators can have a look at this with genuine interest and positive interest.

Now, you mentioned the other thing. Are we resigned to be in a secular stagnation? No, we are not. That's why we have had this meeting today, starting the possibility of actions in the future, if there is no improvement.

Getting back to monetary policy, if there was another cut in the deposit rate, maybe you could talk about what that would actually accomplish. How does that feed through into the real economy?

Then the second question on these committees, they have a broad mandate. Does that mean they're supposed to stay within the tools that have already been used? Or are they authorised to look at monetary policy tools that have perhaps not been used so far? If so, what might those be?

The answer to the first question is the usual one; the transmission channel of lower rates hasn't changed, it's the same. Policy rates affect the short anchor, the short-term part of the yield curve. Asset purchases basically affect the longer-term part of the yield curve. Both are relevant for investment and, so that is one answer. For the other I really should refer to the language because just hinting that they may look at other instruments would go beyond the discussion we had. It's broad but it doesn't say that they should look at other instruments at all costs. This is the starting point, that's what we have, that's what we know and that's what's been tested over the last few years. They are asked to work on that. Then it mentions the part about "including", and okay, there we are looking forward to seeing new things, if there are any.

My first question is a follow-up to the question on currency wars. The latest remarks of Mr Trump came on Monday, calling it, "Very unfair that other countries manipulate their currencies and pump money in." Have those remarks by Mr Trump come up in the discussions of the Governing Council? Given that Mr Trump addressed your personally after the Sintra speech, how do you respond to his continuing remarks in this regard?

My second question is: the French government is reportedly starting to lobby for you to become the next IMF President. Would you be willing to take that job?

Of course I am very honoured by that, but I am not available so it's not an issue.

On the first point, no, it didn't come up during our discussions. In terms of the response to that, I gave it in Sintra, I said very, very simply, "We have a mandate which is price stability." Second point, we don't target exchange rates.

My first point is a follow-up on the question about the economic impact of further monetary easing. You mentioned several times that the financial conditions are very favourable, still, that credit growth is quite robust so what exactly are you hoping for when thinking about further easing

monetary policy? What do you have in mind on economic impacts on the real economy, not on asset price, not on the exchange rate?

The second one is also on the inflation expectations. You mentioned several times the recent drop. Would you still argue that they are anchored when it comes to the medium and longer term? Do you already see the credibility of the ECB and of the 2% target at risk at the moment?

I'll answer to the second question first. No, our credibility is not tested vis-à-vis the 2% target. It's been tested so far to an objective of close to but below 2%. And the main answer to you is this: we don't see a de-anchoring. We see a considerable mass of expected inflation moving to lower levels of inflation and that's exactly what we are seeing: 1.6% is the inflation rate that we see in 2021 in our projections. That's something about which the Governing Council said today in the introductory statement: we don't like it. And therefore we are determined to act. That's why the introduction of the word symmetry has to assert in the clearest way such a determination to act.

On the first question: as I said before, the transmission channel is the same as before and we do expect all this will affect both directly inflation expectations and indirectly through the support of economic activity. So we avoid a continuous deterioration of the outlook. You see, at this point it's not clear yet whether it's going to be what's been called a sag, namely a very protracted period of time at lower growth, but how much lower is this growth going to be? How long is this period going to be? We want to do everything that's possible to avoid that monetary policy might be a hindrance, in other words, highly accommodative monetary policy is there to stay for a long period of time.

[1] Refers to compensation per employee (2.3% in Q1 2019 vs 2.1% on average)

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