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EUROPEAN CENTRAL BANK
EUROSYSTEM

PRESS CONFERENCE

Mario Draghi, President of the ECB,
Luis de Guindos, Vice-President of the ECB,
Vilnius, 6 June 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. I would like to thank Chairman of the Board Vasiliauskas for his kind hospitality and express our special gratitude to his staff for the excellent organisation of today's meeting of the Governing Council. We will now report on the outcome of our meeting.

Based on our regular economic and monetary analyses, we have conducted a thorough assessment of the economic and inflation outlook, also taking into account the latest staff macroeconomic projections for the euro area. As a result, the Governing Council took the following decisions in the pursuit of its price stability objective.

First, we decided to keep the **key ECB interest rates** unchanged. We now expect them to remain at their present 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 levels that are below, but close to, 2% over the medium term.

Second, 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.

Third, regarding the modalities of the new series of quarterly targeted longer-term refinancing operations (TLTRO III), we decided that the interest rate in each operation will be set at a level that is 10 basis points above the average rate applied in the Eurosystem's main refinancing operations over the life of the respective TLTRO. For banks whose eligible net lending exceeds a benchmark, the rate applied in TLTRO III will be lower, and can be as low as the average interest rate on the deposit facility prevailing over the life of the operation plus 10 basis points.

A press release with further details of the terms of TLTRO III will be published at 15:30 CET today.

The Governing Council also assessed that, at this point in time, the positive contribution of negative interest rates to the accommodative monetary policy stance and to the sustained convergence of inflation is not undermined by possible side effects on bank-based intermediation. However, we will continue to monitor carefully the bank-based transmission channel of monetary policy and the case for mitigating measures.

Today's monetary policy decisions were taken to provide the monetary accommodation necessary for inflation to remain on a sustained path towards levels that are below, but close to, 2% over the medium term. Despite the somewhat better than expected data for the first quarter, the most recent information indicates that global headwinds continue to weigh on the euro area outlook. The prolonged presence of uncertainties, related to geopolitical factors, the rising threat of protectionism and vulnerabilities in emerging markets, is leaving its mark on economic sentiment.

At the same time, further employment gains and increasing wages continue to underpin the resilience of the euro area economy and gradually rising inflation. Today's policy measures ensure that financial conditions will remain very favourable, supporting the euro area expansion, the ongoing build-up of domestic price pressures and, thus, headline inflation developments over the medium term. Looking ahead, the Governing Council is determined to act in case of adverse contingencies and also stands ready to adjust all of its instruments, as appropriate, to ensure that inflation continues to move towards the Governing Council's inflation aim in a sustained manner.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. Euro area real GDP rose by 0.4%, quarter on quarter, in the first quarter of 2019, following an increase of 0.2% in the fourth quarter of 2018. However, incoming economic data and survey information point to somewhat weaker growth in the second and third quarters of this year. This reflects the ongoing weakness in international trade in an environment of prolonged global uncertainties, which are weighing, in particular, on the euro area manufacturing sector. At the same time, the euro area services and construction sectors are showing resilience and the labour market is continuing to improve. Looking ahead, the euro area expansion will continue to be supported by favourable financing conditions, the mildly expansionary euro area fiscal stance, further employment gains and rising wages, and the ongoing – albeit somewhat slower – growth in global activity.

This assessment is broadly reflected in the June 2019 Eurosystem staff macroeconomic projections for the euro area. These projections foresee annual real GDP increasing by 1.2% in 2019, 1.4% in 2020 and 1.4% in 2021. Compared with the March 2019 ECB staff macroeconomic projections, the outlook for real GDP growth has been revised up by 0.1 percentage points for 2019 and has been revised down by 0.2 percentage points for 2020 and by 0.1 percentage points for 2021.

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

According to Eurostat's flash estimate, euro area annual HICP inflation was 1.2% in May 2019, after 1.7% in April, reflecting mainly lower energy and services 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 year. Looking through the recent volatility due to temporary factors, measures of underlying inflation remain generally muted, but labour cost pressures continue to strengthen and broaden amid high levels of capacity utilisation and tightening labour markets. Looking ahead, underlying inflation is expected to increase over the medium term, supported by our monetary policy measures, the ongoing economic expansion and stronger wage growth.

This assessment is also broadly reflected in the June 2019 Eurosystem staff macroeconomic projections for the euro area, which foresee annual HICP inflation at 1.3% in 2019, 1.4% in 2020 and 1.6% in 2021. Compared with the March 2019 ECB staff macroeconomic projections, the outlook for HICP inflation has been revised up by 0.1 percentage points for 2019 and revised down by 0.1 percentage points for 2020.

Turning to the **monetary analysis**, broad money (M3) growth stood at 4.7% in April 2019, after 4.6% in March. 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 increased to 3.9% in April 2019, from 3.6% in March. Beyond short-term volatility, the annual growth rate of loans to non-financial corporations has moderated somewhat in recent months from its peak in September 2018, reflecting the typical lagged reaction to the slowdown in economic growth observed over the course of 2018. The annual growth rate of loans to households stood at 3.4% in April, compared with 3.3% in March, continuing its gradual improvement.

The monetary policy measures taken today, including 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 increase resilience, reduce structural unemployment and boost euro area productivity and growth potential. 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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You said that interest rates will remain at their current levels through the first half of next year, but the market is actually pricing for the next interest rate move to be a cut. If you look at the market reaction after you issued the policy statement, it does look like investors were actually expecting more. Would you say that markets are perhaps getting ahead of themselves even though you have said in the past that markets are pricing in the ECB's reaction function.

My second question is on market-based inflation expectations, which have continued to slide recently. You've said in the past that that was because of negative risk premium predominantly, but how long can you continue to see market-based inflation expectations so low below your aim?

Draghi: You have to distinguish between market-based expectations of interest rates and survey expectations. The extension of the six months of this forward guidance basically takes into account the prolongation of uncertainty with respect to what we saw and believed and deemed in March. We've seen the threat of rising protectionism and, in fact, the point made by someone about what markets see in this protectionism threat and they seem to see much more than simply the damage to the economies coming from trade. They might see a much broader phenomenon questioning all the multilateral order that we have lived in since the Second World War. Then of course the uncertainty about the Brexit negotiation and the uncertainty about the vulnerabilities of certain emerging market countries, which are important, more generally the uncertainty about global trade growth has extended beyond what we believed in March. That's why we have extended our forward guidance. At the same time, data about the economy are not bad. There isn't, as you've seen, any substantial worsening in the outlook. That's the reason for this extension by seven months.

The other part, the other question is about the slide in inflation expectations. Yes, the market-based inflation expectations. We are taking this seriously. First of all there is no probability of deflation. There is a very low probability of recession. There are, based on various analysis, no threats of de-anchoring inflation expectations, but certainly there is a considerable mass of distribution between zero and 1.5% now. By the way, this fall, this slide in inflation expectations is not happening only in Europe; it's also happening elsewhere although admittedly from higher starting levels. So there must be some sort of global factor, but it's certainly something that we take into account in our policy.

Could you give us your now-customary summary of the discussion? I'm especially interested in what were the contentious points, whether there was unanimity or dissent.

The second question relates to Italy: as you are really well aware, there is now a new debate between the Commission and Italy on fiscal policies. I'm curious, what's your message to the Italian Government about fiscal policies? I'm also curious, your thoughts about the proposal in Italy to issue mini-BOT, which seem to be against the Treaty and might be of great concern to you.

Draghi: I'll answer first the first question. Now, if I have to give a broad summary of the discussion, I would say it was centred on three key concepts. First of all, there is still confidence in the baseline, but in the midst of increased and prolonged uncertainty. Prolonged means that this uncertainty is not going to go out. In March we might've hoped for a trade deal, we might've hoped for a decrease in uncertainties more generally. We might've hoped for a different evolution in the Brexit, but now it's different. That's one, but there is some acknowledgement of the economy at the same time. Basically, acknowledgement of risk. These risks have gained importance and gained projection and we can go through these risks one by one – more analytically. There is a third element that has characterised our discussion today and you can find some words to this extent in the introductory statement; namely the readiness to act in case of adverse contingencies.

I have said this on other occasions. This time the discussion has become, I would say, more granular in the sense that – and you'll see this in the accounts of the meeting – in the sense that several members raised the possibility of further rate cuts. Other members raised the possibility of restarting the asset purchase programme, or further extensions in the forward guidance. And the conviction that we should pursue our objective in a symmetric fashion was also expressed. By the way, let me add that in case these adverse contingencies were to happen, certainly fiscal policy will have to also come into consideration and play a fundamental role. Two wrinkles to this, but why don't I leave this to other questions? Let me answer the second question.

The Commission has concluded that Italy must reduce its debt-to-GDP ratio and this opinion will go to the Council. By then the Italian Government will produce – and that's what's been asked – a medium-term plan for reducing debt-to-GDP ratios. Now, keep in mind that we are not the interlocutor; it's the European Commission and Council at this point, but I don't think it's going to be asked anything that would ask for a rapid decline in debt-to-GDP. We all know that to make the debt-to-GDP decline fast is impossible, so it was going to be a medium-term plan which, however, has to be credible. Credibility is measured by how it is designed, how it is planned and the actions that will follow from the plan itself. I think that is what everybody's expecting.

Now about the mini-BOT, I think I've answered this question in the past when the possibility was raised; they are either money and then they are illegal, or they are debt and then that stock goes up. I'll stop here. Certainly the reading that people have and markets have of this mini-BOT doesn't seem to be very positive, but I'm only just stopping at what I said; it's either money or debt. I don't think there is a third possibility.

I'd just like to address the answer that you gave to the last question about the granularity of the discussion. Could you maybe fill us in a little bit more on under what circumstances would you cut rates? Under what circumstances would you restart the expansion of QE?

For my second question or issue, if you like, it looks as though the US Federal Reserve might start to cut rates soon as well, so could you maybe just discuss the pros and cons in terms of how that measure would impact the Eurozone economy?

Draghi: Let me say it's a reflection that has just started today in this meeting. We have not discussed which contingency would call for which instrument. On the possibility of restarting the asset purchase programme, let me say that we have now, having abstained from purchasing bonds, considerable headroom anyway. We also have the comfort of the law after the European Court of Justice gave explicitly broad discretion to pursue in a proportionate manner our objectives and comply with our mandate.

The other instrument that was supported was a possible decrease in interest rates. Well, about the point I said in the introductory statement, it's quite important; there was a quite long discussion about whether the period of negative interest rates and whether especially the extension in the forward guidance is affecting banks' profitability in a way that could hamper lending. These are answers in the aggregate; within the aggregate there are many different situations. But in the aggregate the answer was that so far we see no effect for a variety of reasons, which, however, it's not at all granted as a result, if we were to further extend the forward guidance or if we were to decrease interest rates. That's why the introductory statement makes reference to mitigating measures in that case.

The other question was whether the possible rate cut in some other jurisdictions might affect the European economy. Well, I think it's a question we've asked ourselves several times in the last few years and I didn't speak about the financing conditions now. I should say that financing conditions with respect to the last monetary policy meeting have become slightly, slightly tighter. This is on the account of the fact that stock prices are now lower and the euro has appreciated. The effective exchange rate of the euro has appreciated and so I think that's the answer to your question.

I have two questions and both related to Lithuania, if possible.

I'm sure you have heard that here in Lithuania we have our parliamentary investigation regarding our central bank work during last financial crisis. In your eyes, is it a political intervention into central bank work? What do you think about it?

My second question is about Lithuania's ambition to become a FinTech hub, a FinTech country, how it seems to you from central bank position.

Draghi: Let me say I just can't comment about national developments of this sort, but I can tell you that Governor Vasiliauskas is a very trusted member of the Governing Council. His independence should be carefully protected. When I say independence, I mean also personal independence. I think on this, the Governing Council is unanimous.

By the way, you asked me about unanimity; yes, sorry I didn't answer before. The decision today was unanimous.

The second thing is about FinTech: yes, I did say this by the way in the brief courtesy speech that I had last night. It's a remarkable reality. I think Lithuania is second only to the UK as far as licenses for FinTech companies are concerned. It is a major source of future growth for Lithuania and of course also future concern for future attention in terms of supervision. For example what I learned in preparing for this visit is that Central Bank of Lithuania has created a sandbox where FinTech companies can actually test their innovation. Vitas, do you want to say something about that? Please, it's a very interesting thing.

Vasiliauskas: Yes, so as probably you know, FinTech is of course on our agenda and the reason for the various developments in FinTech area is related to the concentration of our banking markets. I think we are quite successful. Of course we have to keep in mind all possible risks which can come with the new technologies, especially cybersecurity, etc., etc. The question is a very complex question, but as I said this is one of our strategic goals; to develop this area of the business. Of course we see it as possibility for the future of Lithuania.

Mr President, I have two questions. One is on the specific reference to the euro area manufacturing sector, which has been hit by the headwinds. How far is this worrying? Do you see also structural problems on the manufacturing industry and not just the international trade environment?

My second question is on the TLTRO III: we are going to have further details but what we know so far with the interest rates that you announced, what is the reasoning behind it, and if you can give an assessment of the banking sector in Europe.

Draghi: I can't point to a specific structural reason. Certainly the manufacturing sector and in general the European manufacturing countries are more exposed to external demand. Weakening trade growth affects the manufacturing sector more than other sectors. We had temporary factors before relating to specific industries, you remember. We had a falling car production, we had other specifics, but then there was a rebound. Both the original factor and the reaction to them, it's either waned or is gradually waning. It's just the potential exposure. At the same time, as I said, the service sector is still holding on, and investment is still moving forward, and construction especially is also helped by the mild weather, progressing with good numbers. The key issue is: how long can the rest of the economy be insulated from a manufacturing sector that keeps on being weak? I think that's what the Governing Council had in mind when they said they stand ready to use again instruments like lower interest rate or restarting APP that have not been used for a while now. As I said, it's a reflection that started.

On the TLTRO: in deciding the shape and the price of TLTRO, two sets of considerations came into play. One is that the TLTRO should be a backstop. Banks over the coming three years will have a series of funding pressures coming from the necessity to issue bonds for complying with regulatory requirements – some banks at least – coming from the need to pay back the previous TLTRO. So all in all, the TLTRO has the nature of being a backstop as far as banking liquidity is concerned and so there is an intent here of making sure that in the future we mitigate potential cliff effects as we maybe see today. There is a slight disincentive with respect to the previous TLTRO.

Also there is another intent there that is to minimise the possibility of carry trade because the goal of TLTROs is to increase lending to the private sector, to the economy. On the other hand, the pricing is very generous altogether if compared with alternative sources of funding. That's the logic behind this.

Mr Draghi, on your comments on negative interest rates and possible interest rate cuts, other central banks, like the Fed, have been talking for some time, or over the last few days, about interest rate cuts, whereas the ECB's forward guidance still seems to be tilted towards a hiking bias. Is that correct that the next move in interest rates is more likely to be an increase than a cut?

Draghi: No…

My second question was on the amount of policy space you have if you do decide to cut rates, following on from an earlier question. How much further can you go on interest rates given that you've now found that they're not so bad for the economy? How much further can you go on QE considering how much you're already holding in terms of bonds?

Draghi: Well, the answer to the first question is no and the answer to the second question is that I think if there was someone who had doubts about our policy space, today's discussion really makes justice of any doubt about it. The policy space is there and the exchanges we had today is that if adverse contingencies were to materialise, the Governing Council stands ready to act and use – as I've said many times – all the instruments that are in the toolbox.

Mr President, we've been talking a lot about specific measures the ECB could take against a background of uncertainty, but isn't it the case that the ECB's ability to counteract uncertainty is limited because most of it originates outside of the Eurozone?

The second question: it's been reported in France that you were awarded the Legion of Honour last week. Does the offer and your acceptance of the award signify that your service to France has been above and beyond that to the other member states?

Draghi: The answer to the second question is … first of all I was pleased and second, the answer is no. It was in acknowledgement of the work I've done for Europe and for the Eurozone.

As far as the first question is concerned, what we have to do as monetary policymakers is to ensure that monetary policy remains accommodative and can support economic activity and convergence of inflation towards our objectives even when the world or external or internal contingencies worsen and make more difficult for the economy to continue growing at a sustainable pace, and for inflation to grow and converge at a sustainable pace, in a sustained manner. That's the logic behind monetary policy. Otherwise whenever the source of a shock is external, there would be no point in having a monetary policy. Otherwise there will be resignation, acceptance of defeat. I've said many times that we are not at all accepting what the current market-based expectations are telling us because of course the survey-based expectations continue being well anchored in the long term.

Mr Draghi, on the subject of TLTROs, might the pricing maturity or lending benchmarks be adjusted if it becomes clear that they're not having the intended effect?

My second question was; it feels like we're further away than ever from returning to normal monetary policy. Have we actually reached the new normal? Is the big question now for central banks not whether or for how long to use non-standard monetary policy tools, but rather in what combination and with what weighting?

Draghi: The second question, you see, is the world more normal today than it was a year ago or three years ago? Monetary policy uses the instruments that are adequate to cope with the contingencies and the challenges that come out. Now we say the monetary policy is non-conventional, that we are far away from normalisation. We are far away from normalisation because the rest of the world, the rest of the challenges are far away from being normal. It's been like that now for many, many, many years following first the great financial crisis, then the sovereign debt crisis, then the Greek crisis. Now we have the threat of rising protectionism, the geopolitical threats that we see every day. We have developments in the Eurozone itself that warrant this.

I will answer your second question later on; I have to check one detail. In any event, there will be a press release coming out at the end of the press conference.

I wanted to ask about money laundering cases in Baltic States and those cases show that illegal activities are mostly international, while efforts to fight them are mostly national. Does ECB plan to introduce any counter-measures to fight money laundering more efficiently in the Eurozone?

Draghi: First of all, it's absolutely essential to coordinate anti-money laundering at international level across different countries. There are serious problems of communication – within each country – between different agents: the supervisors, the judiciary. Then there are communication problems between different countries' supervisors, between different countries' authorities. What's been done so far is trying to give some soft power to the EBA. I think that we should go well beyond this and ideally create a European authority for anti-money laundering, with powers, with jurisdiction that would empower the authority to overcome the obstacles that today hamper communication and an effective policy against money laundering.

I wanted just a clarification on the rate discussion. Was it related to the deposit rate facility or the MRO?

Draghi: You mean the pricing of TLTRO?

Discussion that the members of the Governing Council were proposing a rate cut; was it about the deposit rate facility?

Draghi: It was about the deposit facility rate.

Mr Draghi, if the European Central Bank decides to increase key interest rates, should Lithuania prepare itself for a jump in inflation, considering that Lithuania's economy is growing rather fast? Or should we expect that the growth of GDP for Lithuania will finally slow down and will be similar to that of the Eurozone and there will be no problem and no need in special adjustments in the policy in Lithuania?

Draghi: It seems that the presence of rising threat of protectionism, the geopolitical factors that are weighing on the Eurozone economic outlook would rule out any increase in interest rate. That's exactly I think what I said before; that we ought to protect the financing conditions in the Eurozone and maintain a very accommodative monetary policy even in the face of challenges that may materialise in the future.

Two questions, Mr Draghi. One is, given the prolonged uncertainty that you have mentioned a number of times, how far are we from a “whatever it takes” moment?

The second part also is specific to you: you have made great use of forward guidance, perhaps better than some of your colleagues. Forward guidance is an art more than a science; how much does it depend on the central banker giving that forward guidance for the markets to take it seriously? I'm thinking ahead to a day where you may not be sitting in front of us.

Draghi: First of all, the current conditions are not even comparable with the conditions we had way back seven years ago. It's about seven years ago, it's slightly less than seven years ago. We have the lowest unemployment rate in many, many, many years. We've seen growth in employment, so we have both a decline in unemployment and a growth in employment. We have basically by and large tight labour markets everywhere in the Eurozone and rising wages. The overall economic situation is different, but certainly we have to be prepared. Even though, as I said, the Governing Council today confirmed the present baseline, also acknowledged the risks to this baseline and how these risks have prolonged themselves and have in a sense also increased. Therefore the discussion really clearly stated the readiness to act in a less general way that I have reported to you on other occasions, but more specifically, in a more granular fashion.

The use of forward guidance, I agree with you; it's been quite effective. Now we've been using it for several years and it's been quite successful in steering market expectations and basically, it's become the major monetary policy tool we have now. What we've decided really in a sense protects the baseline from these risks in this contingency. But if we are to see different challenges, then the Governing Council – as I said before – stands ready to use all its tools. I don't think it's related to me, by the way, the forward guidance being effective because the way it's been designed and the fact that the reaction function has been very well explained and in a sense going back to market expectations – what they are telling us – is that, yes, the reaction function of the ECB has been well understood.

You have been famously willing to intervene in 2012, “Willing to do anything it takes to save the euro.” If the new President, the next President of ECB is not willing to do anything it takes – and we have such candidates – how do you think they address that when and if an extra crisis comes?

Draghi: Well, it's very difficult to foresee hypothetical events where you assume that the President of the ECB doesn't behave in a way to preserve the euro. It's just a hypothesis that I do not want even consider. In any event, it's the Governing Council that decides; don't forget.

The Reserve Bank of Australia cut interest rates. Central Bank of India cut interest rates. In the United States, fed funds discount an interest rate cut. Does it change European Central Bank monetary policy? It's the first question.

The second question is: if the European Central Bank had growth and unemployment as objective, would it be better or worse for a Eurozone economy?

Draghi: We are talking about different jurisdictions, different economic environments, so central banks react to their economic situations. For example I think today's statement by the Bank of England saying that maybe rate hikes could be necessary in the near future. Each jurisdiction is different and I believe that today's discussion shows exactly this point; that there is confidence in the present baseline, but also clear acknowledgement of the risks. The beginning of a granular discussion about what to do, one of which is exactly cutting interest rates further, if adverse contingencies were to be realised.

The other question relates to our mandate; it's not our task to decide our mandate. It's the legislator's task. However, I can say that some time ago there was a research showing that, regardless of what the mandate says, in other words, whether it has only price stability or employment as well, central banks - by and large - have produced the same outcome in terms of price stability and employment. Whether in practice this is going to make a big difference, I don't know, because this research, by the way, is not recent. Certainly if I look at our own experience, all given the circumstances in which the last few years have evolved, all our monetary policy was constantly utilised for obviously price stability as our mandate requires, but also it was in the direction of creating more employment.

If you look at the employment numbers, over the space of five years, ten million new jobs have been created. Do you really need a mandate for doing that? Or it just happens because you do monetary policy that's oriented to price stability? I don't think ever so many jobs have been created in such a short time in this part of the world.

My first question is about inflation expectations because clearly, despite all your efforts in the past, inflation expectations are close to record lows. Are you concerned about the potential shock, which then would lead to a dis-anchoring of those inflation expectations? Is that the reason why you now mention all these instruments available?

The last question is a broader one because there are some people who are suggesting that we are experiencing or witnessing currently a period which can be compared to the period before the Cold War started, like a division of the world between the West and the East. This time it's the US and China. Are you concerned that in ten years' time you're going to still have protectionism in place, tariffs in place and more or less are headed towards a clear division here?

Draghi: On inflation expectations I think I've covered it before: of course we are concerned but we don't see signs of de-anchoring, frankly. We see no probability of deflation as well. That's why on other occasions I made the point of stressing that the Governing Council is not resigned to having a lower rate of inflation forever – even for now, in fact. All policies are oriented towards having a set of expectations, market-based expectations, because as I said survey-based expectations continue to be anchored at a level of 1.6%/1.7% in the long term. Also market-based expectations which would be more consistent with the policies we have and with the convergence of inflation to our objective.

This drives me straight into answering your second question: clearly, there is some disconnect here between what markets are seeing in the future and what people expect. You see, you compare surveys with market-based expectations, both for growth as well as stock prices, earnings, inflation. The fall in inflation expectations, I was saying before, happened also in other parts of the world, probably not by the same amount and certainly starting from higher levels, but it did happen. Markets seem to appear to see something bigger than simply trade disputes and whether this is correct or not, certainly this is what they price in their future transactions. The broader issue is: do they see a disruption of the order which goes beyond trade? I wish not. But, from our side, what we have to do is to take this reading seriously and be prepared. Thank you.

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