ECB cuts benchmark refinancing rate to 0.5 pct

FRANKFURT, May 2 (Xinhua) -- The European Central Bank (ECB) on Thursday cut the benchmark refinancing rate by 25 basis points to a record low of 0.5 percent.The decision was made by the ECB governing council at the monetary policy meeting held in Bratislava, Slovakia on Thursday.The ECB also lowered the interest rate on the marginal lending facility by 50 basis points to 1 percent while the interest rate on the deposit facility will remain unchanged at 0 percent.The cuts will become effective starting from May 8, according to an announcement made by the ECB.Addressing a press conference following the meeting, ECB president Mario Draghi said the decisions were consistent with low underlying price pressure over the medium term.Inflation expectations for the euro area continue to be firmly anchored in line with the aim of maintaining inflation rates below, but close to, 2 percent over the medium term."In keeping with this picture, monetary and loan dynamics remain subdued," said Draghi.It is the first time the ECB has changed key interest rates since July 2012 when the benchmark refinancing rate was slashed by 25 basis points to 0.75 percent.While the weak economic sentiment has extended into spring of this year, "the cut in interest rates should contribute to support prospects for a recovery later in the year," Draghi said.The ECB decided to continue conducting the main refinancing operations as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the sixth maintenance period of 2014 on July 8, 2014, according to Draghi.The labor market conditions in the eurozone remain weak and weak economic sentiment has extended into spring this year, but the risks surrounding the economic outlook for the euro area continue to be on the downside, Draghi said.Data indicate that the average government deficit of euro area countries declined from 4.2 percent of GDP in 2011 to 3.7 percent in 2012. On the other hand, the average government debt rose from 87.3 percent to 90.6 percent of GDP over the same period.It is essential for governments to intensify the implementation of structural reforms at national level, building on progress made in fiscal consolidation and proceeding with bank recapitalisation where needed, Draghi said.