



**EUROPEAN CENTRAL BANK**  
EUROSYSTEM

*COURTESY TRANSLATION*

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President

Members of EFDD  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 20 April 2015

L/MD/15/258

**Re: Your letters (QZ-23/24)**

Honourable Members of the European Parliament,

Thank you for your letters, which were passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 6 February 2015.

Our purchases under the expanded asset purchase programme (APP) work through a number of different channels, which will support the economic recovery and contribute to a sustained return of inflation towards a level below, but close to, 2% over the medium term, as well as underpin the firm anchoring of inflation expectations. For a description of these channels, I would like to refer you to the letter I sent to your colleague MEP Enrique Calvet Chambon on 10 March 2015.<sup>1</sup>

Furthermore, let me stress that we have already seen a significant number of positive effects from the ECB's monetary policy decisions. Financial market conditions and the cost of external finance for the private sector have eased further. The euro area money market yield curve has further flattened. Government, bank and corporate bond yields have further declined and equity prices have increased. The broad-based easing in financial conditions is being passed on to the real economy. In particular, borrowing conditions for firms and households have improved considerably. The growth of credit to the private sector turned positive in December for the first time since mid-2012. The January 2015 bank lending survey showed a further easing in credit standards for all loan categories in the fourth quarter of 2014.

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<sup>1</sup> The letter is available on the ECB's website, at [http://www.ecb.europa.eu/pub/pdf/other/150311letter\\_chambon.en.pdf](http://www.ecb.europa.eu/pub/pdf/other/150311letter_chambon.en.pdf)

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The positive impact of improved financial conditions on the euro area economy is also reflected in the March 2015 ECB staff macroeconomic projections. The projections for real GDP growth in both 2015 and 2016 were revised upwards as compared to the previous projections exercise, partly driven by the impact of our recent monetary policy measures. The rate of inflation projected for 2016 was revised slightly upwards to 1.5%, and for 2017 inflation was projected at 1.8%. The expected pick-up in inflation will be supported by the favourable impact of our recent monetary policy measures on aggregate demand, conditional on the full implementation of all the announced measures.

As to the duration of the purchases under the APP, they are intended to be carried out until end-September 2016 and will in any case be conducted until we see a sustained adjustment in the path of inflation which is consistent with our aim of achieving inflation rates below, but close to, 2% over the medium term.

Regarding your question on the singleness of monetary policy, the Governing Council has, as with any monetary policy measure, control over all the design features of the public sector asset purchase programme, including the purchase allocation, asset eligibility, and the pace and size of the purchases. This safeguards the singleness of the Eurosystem's monetary policy, which is not in any way compromised by the specific loss-sharing arrangement. This arrangement ensures the highest degree of effectiveness for the APP, taking into account the unique institutional structure of the euro area, where a common currency and single monetary policy coexist with 19 national economic and fiscal policies.

Yours sincerely,  
[signed]

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