

**Christine Lagarde**, *President of the European Central Bank*. –

Mr President, I didn't know that you had to be standing to address this Assembly, so I offer my apologies for not having done so in the first place and therefore I will align with the rule that you seem to have amongst you. I would like to first of all thank you very much for this dialogue that we had. It's very much part of what we at the European Central Bank, and more broadly within the euro system, want to actually have with public opinions, with civil society representatives, but more importantly, with those who represent the citizens of Europe: that is you, Members of Parliament, who have been elected by them. This is very much part of the accountability that we have towards you and, through you, to the citizens of Europe. We have conducted a few changes in the last few months, but certainly one of those that I very much look forward to implementing as we go into the strategy review that has been approved last month, is the constant dialogue that we need to have, and what we have called the outreach with you and, through you, with the citizens of Europe. So thank you for that.

I thought I would just touch on some items of our strategy review to address some of the points that you have made. First of all, some of you have touched on the monetary policy and the current components of the

instruments that we use in order to implement our policy and have been doing so since 2014. To those who argue that this monetary policy, and particularly its unconventional tools, have been counterproductive, I would very strongly encourage them to look at the impact that those unconventional tools have had on the economy – in which way it has actually increased growth and helped our economies around Europe and the euro area in particular to fare better than it would have had it not been for those instruments that were used as part of the unconventional policy.

It's obviously very difficult to quantify carefully and precisely by how much growth has been lifted in the euro area, but our models actually indicate that that growth has been probably higher by a margin of about 2.5% to 3% ever since those policies were put in place. In the same vein, it has contributed to inflation which, as you know, ever since the euro was put in place and ever since the strategy was revisited in 2003, is measured with reference to inflation, and clearly those unconventional tools that have been used since 2014 have helped inflation go up a bit. Well, certainly we would have liked it a lot more than that, and maybe this would have been the case if other tools had been used in conjunction with our monetary policy. But be it as it was, certainly inflation has increased by a factor of about half a percentage

point probably, which is certainly not bad, given the level where we are. To those who were mentioning, by the way, that inflation was hovering around 1%, I would simply remind you that in January inflation was at about 1.3%, which is certainly not the goal that we have, but certainly a bit more than the 1% that was mentioned.

Those unconventional tools that were used and the instruments that were deployed helped our economies and continue to help our economies. When you look at the volume and the number of new financing that are put in place for the real economy, whether it's the corporate or whether it's the households, we are seeing clearly financing that is very low in terms of cost, and I take the point that you made, sir, about the Irish banks and how much they charge and what interest rates they include, and we'll look into that for sure. But the cost of financing has been low and lower for the real economy. And number two, the volume of financing of the economy has increased and has continued to increase. You will have seen some comments recently about the fact that this continuum is slowing down. Yes, it is a little bit – for the corporate, not for the households – but it is continuing to grow nonetheless. So I would contend that, in the main, it has had a very positive effect on our economies, and as part of our strategy review, we'll look at

how much and how effective it has been. But we will also look, as some of you have mentioned, to the potential side effects and to the accumulated side effects that it could have on citizens and on the economies as well. So that will be very much part and parcel of our review.

The second point that I would like to emphasise briefly, and I've focused on the monetary policy tools and how we will look at them and measure them and measure the benefits as well as the negative effect, is climate change. Nobody can ask the European Central Bank to substitute what governments should do and what policies should be in general. As former managing director of the IMF, I think I'd be remiss not to remind all of us that one of the key tools in relation to climate change is clearly the proper pricing of carbon, and this is not something that a European Central Bank or any central bank in the world can actually decide. So as we go through our strategy review, we will determine where and how the issue of climate change and the fight against climate change can actually have an impact on our policies, whether it's in relation to our price stability primary objective and how it impacts this primary objective, or whether it's in relation to the management of risk that we are accountable to our European citizens and to you when we look at the composition of our portfolios and the one that we

manage, and whether or not risks are actually properly priced and whether the climate change risks associated with some of the collateral that we have in our portfolios, for instance, are measured or not. So in that respect, climate change will be one of the items that we will take into account, together with the more traditional aspects that we will be measuring, and it's in the context of that strategy review, Mr Vice-President, that we will continue this dialogue, not only with you, but also with the Committee on Economic and Monetary Affairs (ECON). The president of ECON was here and many members of the Committee are present in this room. We will continue to engage: we will have that dialogue, and we want that very much to be a two-way street.

Now, I offer our apologies to those who had very specific questions on particular countries, but I propose to take that up bilaterally with those who are interested in specific countries or banks going forward.