IN THE CHAIR: IRENE TINAGLI  
Chair of the Committee on Economic and Monetary Affairs

(The Monetary Dialogue opened at 15.10.)

Chair. – Good afternoon, everyone. So let’s get started with our committee meeting. As usual, we start with the adoption of the agenda. If there are no objections, the agenda is adopted. We also have to approve the minutes of the meetings of 23 and 24 October 2023 and of 7 November 2023. If there are no objections, they are considered approved.

I take the liberty of postponing all the announcements to tomorrow morning so we can jump to the core of our meeting today, which is the monetary dialogue with Christine Lagarde, the President of the European Central Bank. So, welcome, President Lagarde.

This is the fourth and last monetary dialogue in 2023. The previous one took place on 25 September. Today, the dialogue is taking place in a still challenging environment, which is marked by uncertainty. Since the last monetary dialogue in September, headline inflation in the euro area declined markedly to 2.9% in October, down from 4.3% in September. This is the lowest level since July 2021, and at the same time, core inflation has been high and persistent, exceeding 5% throughout the year, but now also showing a downward trend at 4.5% in September and 4.2% in October.

So, after ten consecutive rate hikes in a row, the ECB Governing Council left interest rates unchanged in its last meeting on 26 October. The ECB has raised interest rates by a cumulative 450 basis points between July last year and now, making it the most aggressive monetary policy tightening since the start of the Economic and Monetary Union.

In parallel, the Eurosystem’s balance sheet is being reduced through a first-ever quantitative tightening operation under the APP and through large TLTRO III repayments. Reinvestments under the PEPP are set to continue at least until the end of 2024.

In this context, two topics were chosen by the ECON Committee coordinators for today’s meeting. The first one is ‘A comparative analysis of monetary policy and inflation dynamics in the euro area and the United States’. The second one is ‘The climate change considerations in monetary policy implementation’. As usual, all briefing papers prepared by the Parliament’s panel of experts are available on the ECON Committee’s website.
A few practical considerations before starting. The following procedure will be applied. There will be introductory remarks by President Lagarde of 10 minutes, followed by the first round of questions, and then a second round. I ask to all of you to respect the time given to you. President Lagarde, before I choke, I give you the floor.

Christine Lagarde, President of the European Central Bank. – Thank you very much, Chair, but I’m afraid I suffer from the same deficiency in terms of throat, and I might choke again, in which case I’ll give you the floor. But we are fully equipped with water and a few mints around, courtesy of the European Central Bank, actually – here we are for the mints.

So, good afternoon to all of you. Let me just start with my preliminary comments. So, as I just mentioned, the world has continued this period marked by compounding challenges.

This new political and geopolitical landscape is emerging, fuelled by mounting tensions that are fragmenting the global economy. This has direct economic consequences, as it is fostering uncertainty and economic volatility.

In parallel to this geopolitical turmoil, the climate crisis is accelerating, resulting in more frequent and unprecedented natural disasters. These extreme weather events trigger supply shocks that reverberate through the global economy, further exacerbating the existing challenges.

To navigate this shifting environment, policymakers must be open-minded. At the same time, it is critical that central banks provide an anchor of stability by delivering on their price stability mandates.

In my short remarks today, I would like to briefly discuss our current assessment of the economic outlook and our efforts to bring inflation back to target. Then I will explain how the ECB incorporates climate change considerations in its monetary policy – one of the topics, the two topics, that you have chosen for today’s hearing.

So, let’s first have a look at the situation of the euro area economy. The activity has stagnated in recent quarters and is likely to remain weak for the rest of the year. Real GDP contracted by 0.1% in the third quarter, reflecting a broadening impact of higher interest rates, weak foreign demand and the fading impetus from the reopening of the economy after the pandemic.

You must have received the one-pager, which is recto-verso actually – yes, thank you so much – plenty now. Okay, I’ll take one.

So, I will refer to this one-pager. You have on the top of the front page, to the left, you have a good description of how GDP is evolving, using also PMI indicators.

So, manufacturing output has continued to fall and activity in the services sector is weakening further. Despite the slowdown in activity, the labour market remains resilient overall, although there are now some signs that job growth may lose momentum towards the end of this year.
While the short-term outlook remains subdued, the economy is set to strengthen again over the coming years as inflation falls further, household real incomes recover, and the demand for euro area exports picks up.

Turning now to inflation, which – as you said, Chair – fell further to 2.9% in October – that’s the latest headline reading that we have. This fall reflected a general decline in inflation, but was also helped by what we call the base effects. These effects were particularly visible in the low rate of energy inflation, which stood at -11.2%. Food inflation has also declined, but is likely to remain strong for the rest of the year.

This contrasts with inflation developments in the United States – the first topic chosen for today’s hearing – where food inflation has been more contained, while core inflation picked up faster after the pandemic.

I encourage you to look on the back of that one-pager, which is called ‘Topic 1’. It gives you a nice graph of how inflation looks like in Europe and in the United States. I know it’s a bit counter-intuitive, but the numbers that we have in terms of latest readings is: headline 2.9% in the euro area, headline 3.2% in the United States.

There is that conventional wisdom that the US is faring a lot better in its fight against inflation. I’m not sure that this is exactly accurate. If we look at core, we are at 4.2%, the US is at 4%, but it peaked earlier than we had ourselves.

Inflation excluding energy and food, often called ‘core inflation’, has continued to moderate. It fell to 4.2% in October owing to declines in both goods and services inflation. Most other measures of underlying inflation have also come down. At the same time, the ECB’s indicator of domestic inflation – which excludes items with a high import content – has not come down by much, reflecting the fact that inflation is now driven more by domestic sources than by external sources. That you will find on the first page in the right-hand graph, which shows in yellow what is actually high – which is high domestic sources.

Wage pressures, meanwhile, remain strong. Our current assessment is that this mainly reflects ‘catch-up’ effects related to past inflation, rather than a self-fulfilling dynamic. We expect wages – and again, that’s on the first page at the bottom left, where you have wage contribution in green, and red for profits – so, wages will continue to be a key factor driving domestic inflation.

But at the same time, the contribution of profits – as I said, in red in that graph – which accounted for much of the strong domestic price pressures seen recently, is now weakening.

Looking ahead, we expect the weakening of inflationary pressures to continue, even though headline inflation may rise again slightly in the coming months, mainly owing to some base effects. However, the medium-term outlook for inflation remains, of course, surrounded by considerable uncertainty.

So, turning to monetary policy, we remain determined to ensure the timely return of inflation to our 2% medium-term target. In October, as you indicated, we decided to keep the key interest rates unchanged, and we expect that maintaining interest rates at current levels for a sufficiently long duration will make a substantial contribution to restoring price stability.
Our future decisions will ensure that policy rates are set at sufficiently restrictive levels for as long as necessary. The appropriate level and duration of restriction will continue to be determined in a data-dependent manner, assessing the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission.

The Governing Council will reassess its monetary policy stance in mid-December, in two weeks’ time, informed by new data and updated projections, including for 2026.

Let me now turn briefly to the other topic you have selected for today’s hearing. That is climate change in monetary policy implementation.

Climate-related disasters are becoming more frequent and more severe. This year’s catastrophic floods in Slovenia, Italy, Greece and France are a stark reminder of this.

At the same time, the warming of our climate continues. July and August 2023 were the two warmest months on record globally, and the planet is now on track to reach average warming of 1.5°C by the 2030s.

In today’s challenging geopolitical environment, it is easy to lose sight of this unfolding climate crisis. But we remain committed to supporting the green transition.

European governments are primarily responsible for addressing climate change. They have the authority, the tools and the ability to implement the appropriate policies to tackle this crisis.

That said, climate change and the protection of the environment are also relevant for the ECB – from the perspective of both our primary and secondary objectives. The ECB therefore remains committed, within its mandate, to playing its part, first and foremost by ensuring that we fulfil our primary objective of price stability.

Large investments in green technologies are needed to support the transition, and a stable inflation outlook gives firms visibility on investment costs, which is particularly important for green projects in light of their mostly long-term planning horizon.

Price stability also supports the relative price signal from policies such as carbon pricing, thereby making those policies more efficient.

Over the past years, we have enhanced our understanding of the economic and financial ramifications of climate change. We published a set of climate-related indicators to improve the quality and quantity of climate-related data. As climate-related data improve, we are also working to further enhance our macroeconomic models, scenario analyses and risk assessment. This helps us better account for climate risks, and the implication for the transition to a carbon-neutral economy may have.

As it is relevant to our primary mandate, we are also working to better take into account climate-related financial risk in the Eurosystem’s balance sheet. In doing so, we are also following our secondary objective, by supporting the green transition of the economy, in line with the EU’s climate neutrality objectives.
In the implementation of our monetary policy, for instance, our tilting activities have helped decarbonise our corporate bond holdings, and we continue to tilt our reinvestments under the Pandemic Emergency Purchase Programme. You have a reference to that on the back of the one-pager.

We recently concluded our one-year review of the tilting framework, and we expect the decarbonisation of our corporate sector portfolios to continue throughout 2023 and 2024 on a path that supports the goal of the Paris Agreement.

There are three main factors driving this decarbonisation process. First, the effectiveness of our tilting approach. Second, redemption of bonds with a relatively high carbon impact. And third, we see that issuers of the bonds we hold are actively working to reduce their carbon footprint, with benefits for society at large.

Looking beyond 2024, the Governing Council is committed to considering ways to ensure the further decarbonisation of our corporate portfolio on a path that supports the Paris Agreement objectives, without prejudice to our price stability objective. We will continue to review our climate actions to ensure that they remain fit for purpose, focusing on the areas where the risks are greatest and our work contributes to the most.

So, as we enter in this new era of heightened geopolitical tensions and an unfolding climate crisis, we need to step up our efforts to make our economies more resilient. Progress on the green transition, including to accelerate Europe’s energy independence, is essential, as it will reduce the likelihood of higher and more volatile energy prices.

Deepening the capital markets union, reaching an agreement on a sound fiscal framework, and addressing regulatory barriers are equally crucial to foster investment and speed up the development of renewables. The ECB will play its part, first and foremost by ensuring that inflation returns to our 2% medium-term target.

This is not yet the time for us to declare victory. We need to remain attentive to the different forces affecting inflation and firmly focused on our mandate of price stability.

Markus Ferber (PPE). – Frau Lagarde, ich würde gerne in meiner Muttersprache sprechen. Im jüngsten Financial Stability Review betont die Europäische Zentralbank, dass die Effektivität der Geldpolitik maßgeblich von den richtigen fiskalpolitischen Entscheidungen abhängt. Sie selbst hatten hier im monetären Dialog ja auch bereits das eine oder andere Mal erwähnt, dass viele Programme, die die Mitgliedstaaten zum Beispiel während der Energiekrise aufgelegt haben, nicht zielgerichtet genug waren und damit eher die Geldpolitik der Zentralbank konterkarriert haben. Wie schätzen Sie angesichts der Tatsache, dass die durchschnittlichen Haushaltsdefizite im Euro-Währungsgebiet deutlich über 3% und in Frankreich ja schon fast bei 5% liegen werden, momentan das Zusammenspiel von Geldpolitik und Fiskalpolitik ein? Und was heißt das für die weiteren Maßnahmen der EZB?

Und zum Zweiten: Sie haben natürlich neben dem Zins einen zweiten geldpolitischen Hebel – das Management des Anleiheportfolios. Wenn es um die Rückabwicklung der Anleihekaufprogramme geht, verfolgen Sie hier eine sehr vorsichtige Politik, wenn ich das so sagen darf. Beim APP werden nur die fälligen Erträge nicht reinvestiert, beim PEPP sollen noch bis Ende 2024 alle Fälligkeiten reinvestiert werden. Meinen Sie nicht, dass eine schnellere Verkleinerung der Bilanz auch einen Beitrag zur Reduktion der Inflation leisten könnte?
Christine Lagarde, President of the European Central Bank. – Thank you very much, Mr Ferber. It’s nice to see you again. I’ve missed you a bit in the last few meetings.

So, your first question relates to the fiscal measures. You’re right, we had – in 2021 in particular, and in 2022 as well – we had specifically asked that measures that were taken by governments in the Member States be ‘triple T’: targeted, temporary, tailored. As we all know, and as was acknowledged by the Commission in its review of the measures, not that many of them were both tailored, targeted and temporary.

What we are saying now – that a lot of the circumstances that caused and justified those measures are fading away; in particular energy prices, which have reduced significantly, and bottlenecks that are fading out as well. We are now asking for what we call the rollback of energy support measures, in particular, in order to restore public finance, and to make sure that that is on a sustainable trend. That’s the first thing that we ask for.

The second thing that we hope for, and that we expect finance ministers will work hard on – as well as, of course, you Members of Parliament – is the framework within which fiscal policies will be deployed by Member States in the years to come. We are particularly concerned that this fiscal framework be agreed as quickly as possible, in order to reduce the uncertainty in which we are likely to be in 2024 if nothing is agreed.

Your second question deals with the asset purchase programme. You are right. We started announcing that we would gradually reduce the reinvestment; that we would then stop the reinvestment in net asset purchases under the asset purchase programme; and we have done so. We are – as a result of this stop of the net asset purchase programme and letting the securities that we have on a run-off basis – the balance sheet of the ECB is reducing by about 23 billion, an average of 23 billion, per month. That continues to be the case.

In terms of other purchase programmes that we have undertaken, particularly as a result of the pandemic, we have indicated that we would continue reinvesting until at least 2024. This is a matter which will come probably for discussion and consideration within the Governing Council in the not-too-distant future, and we will re-examine, possibly, this proposal.

Jonás Fernández (S&D). – Me ceñiré al debate del día de hoy sobre los efectos del cambio climático y la política monetaria. Como usted ha dicho, los efectos del cambio climático, que ya estamos sufriendo, nos ofrecen un horizonte de mayor volatilidad, probablemente, en la evolución de la inflación y en los sucesos inflacionarios probablemente ligados a efectos climáticos.

Mi pregunta es: ¿cómo combinar ese trade off? ¿En qué momento deberíamos incorporar esas medidas como incremento de los impuestos para luchar contra el cambio climático,
teniendo en cuenta que tendrían un efecto inflacionario en el corto plazo, aunque esperemos que, en el medio plazo, contribuyan a que el cambio climático se combata eficientemente?

Quiero decir, hay un trade off claro entre subir los precios energéticos en el corto plazo sobre la inflación y que esa subida de impuestos ayude a reducir la inflación en el medio plazo. Y, teniendo en cuenta el escenario en el que nos movemos con la inflación en estos momentos y las propias previsiones de inflación, ¿cómo valora usted ese trade off entre medidas a corto plazo, que pueden ser inflacionarias, y no tomarlas ahora, pero enfrentarnos a inflaciones más altas y más volátiles en el futuro, todo ello ligado al cambio climático?

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Christine Lagarde, President of the European Central Bank. – We can only operate, each of us – you, us, governments, Commission, Council – in the areas and with the competence and within the mandate that were given to us.

But I would agree with your characterisation of the fact that externalities are not actually included in prices in many instances, and that it would be a prerequisite to insert externalities, by way of either a tax or a price signal of some sort – ETS comes to mind, for instance, as another example of how you can include the externalities back into the prices of energy and every other product that includes energy components.

Now, as far as we are concerned, we have to, of course, take into account these climate-change related impacts in the assessment that we make of the economy, in the price expectations that we have. I would also agree – and this is not something where there is complete agreement, and I think economists tend to not completely rally around one single assessment of the situation – but there is a large number of those who will say that, at least in the short term, there is an inflationary aspect of the fight against climate change – not in a very significant amount, if I look into the accounts that have been provided by our researchers and by our economists, but slightly increasing over the next three to five years. And then, in the medium term, a disinflationary effect, as, of course, the marginal unit of energy and prices related to them are cheaper than what they would otherwise be.

But that’s what we have to take into account in the models that we use, in the macroeconomic assessment that we form. It’s not for us to make any kind of decision concerning the tax that would eventually apply, or the price embedding that would be required if we want to take into account all externalities.

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Jonás Fernández (S&D). – Tengo simplemente una pregunta adicional. Usted ha hablado de la necesidad de mejorar la resiliencia de la economía europea y, como bien sabe, la Unión está en un proceso de redefinición de su política industrial, en virtud de la autonomía estratégica a la que hemos llegado después de la guerra en Ucrania o de los efectos de la COVID.

Mi pregunta tiene que ver con el potencial efecto inflacionario de esta nueva política industrial. Yo no sé si el Banco Central Europeo tiene algún assessment, alguna opinión o alguna valoración sobre en qué medida la reactivación de la política industrial europea pudiera tener un efecto sobre los precios derivado de la menor competencia, del aumento de los déficits públicos, de los subsidios sectoriales... No sé en qué medida el BCE considera que esa nueva política industrial pudiera o no complicar la gestión de la política monetaria.
Christine Lagarde, President of the European Central Bank. – I think the honest answer to your question is ‘no,’ because we don’t really know what the industrial policy will look like, how much subsidies it will imply, what kind of inflation reduction act will be proposed.

I understand that you will be hearing from the Commissioner in charge of those issues after me, so it’s a good occasion to better understand exactly what it will be about.

From our vantage point and participating in Eurogroup on an extensive basis, there is certainly one aspect that is in our view critically important, and that is the capital markets union. Because it’s clear that the EUR 650 billion needed per annum in order to accomplish the green transition, and the EUR 125 billion necessary to accomplish the digital transition, that the combination of these two will not be provided on public finances. Whether it’s on a regional compounded basis, whether it’s at the national level, it simply will not be enough, given the other priorities that prevail as well.

That’s the reason why I very strongly believe that the capital markets union has to proceed, has to move forward, and has to do so as quickly as possible, including with a slightly different approach that I have called the ‘Kantian shift’ to capital markets union, really focusing on those areas that will deliver something, both from a regulatory, from a supervision and from an infrastructure standpoint.

Those are a critically important financing mechanism, calling on the private-sector financing and, in that case, which will hopefully improve the competitiveness and the delivery of the green and digital plans for Europe.

Stéphanie Yon-Courtin (Renew). – Madame la Présidente, chère Christine, merci pour votre présence aujourd’hui. Dans un contexte d’inflation galopante, il faut se féliciter des moyens que déploie la BCE pour assurer la stabilité financière et pour réduire l’inflation à son objectif de 2 %. Malgré tout, on constate que ces mesures ont un impact sur le quotidien de nos citoyens, notamment la baisse du pouvoir d’achat des ménages et la dégradation de l’accès aux financements dans une période où cet accès au financement est vital pour certains. Alors, comment peut-on envisager et envisagez-vous à la fois de répondre à l’inflation tout en préservant le pouvoir d’achat des citoyens, si la politique monétaire actuelle est prolongée sur la durée?

Et de plus, une autre question, aujourd’hui on voit que la politique monétaire est nécessaire mais a ses limites – à elle seule elle ne permettra pas de financer nos priorités de demain – et la révision actuelle des règles budgétaires en cours pourrait être une solution pour concilier les capacités d’investissement et la dette soutenable, qui sont les deux objectifs malgré tout avec une temporalité différente. Est-ce que vous pouvez nous confirmer que la soutenabilité de la dette et la durabilité sont bien des objectifs compatibles?

Christine Lagarde, présidente de la Banque centrale européenne. – Merci Madame pour votre double question. Je vais rester en français parce que je veux faire référence à une expression que vous avez utilisée. Nous ne sommes pas en période d’inflation galopante. Nous sommes sortis de la période de l’inflation galopante. Je vous rappelle que, quand l’inflation au mois d’octobre – il y a un tout petit peu plus d’un an – était à 10,6 %, là oui, on était sur des chiffres qui étaient très lourds et qui, évidemment, avaient un impact très important sur nos concitoyens en Europe.
On est revenu maintenant à 2,9 %. Donc je ne suis pas du tout en train de crier victoire et je pense que ça serait largement prématuré, mais on a ramené l’inflation de ces chiffres très élevés à des chiffres qui sont beaucoup plus proches, en tout cas de notre cible.

Bien entendu, ça a un impact et nous savons bien que c’est douloureux pour de nombreux concitoyens puisque le prix des produits, et en particulier le prix de la nourriture, qu’elle soit transformée ou non, reste toujours élevé. Le prix de l’énergie a baissé, mais le prix des produits alimentaires, lui, continue à augmenter. Le taux d’augmentation s’est tassé un peu, mais on est encore à plus de 7 %, ce qui est d’ailleurs, en soi, un objet d’étude intéressant parce qu’aux États-Unis en particulier, le taux d’augmentation des prix des produits alimentaires est moins important. On pourra revenir sur cette question-là.

Mais donc bien sûr que ça représente un fardeau pour nos concitoyens. Mais nous, notre objectif à la Banque centrale européenne, c’est de ramener la stabilité des prix et de revenir à 2 % de manière soutenable, de manière durable. C’est la mission qui nous a été confiée par les traités. C’est ce que nous devons faire et je crois qu’il faut parfois raisonner à contrario et se dire que si nous ne faisons pas ces efforts-là et si nous ne ramenions pas l’inflation à la cible de 2 %, on serait dans des situations bien plus pénibles encore pour nos concitoyens, avec des taux d’inflation qui seraient hors de contrôle et surtout le risque d’un désancrage des anticipations d’inflation.

Vous avez raison de le souligner, ça pose une difficulté d’accès pour le financement, et c’est la preuve que la politique monétaire que nous avons engagée pour réduire l’inflation et qui donne des résultats est aussi transmise dans le financement de l’économie. On a eu une augmentation du taux des crédits à la fois pour les entreprises et pour les ménages. On a eu aussi une réduction du volume des prêts qui ont été consentis pour les entreprises et pour les ménages. Et c’est dans cet esprit-là que nous essayons évidemment de réduire l’inflation en ralentissant et en renchérisissant le coût du crédit.

Soutenabilité de la dette, durabilité de ces mesures, l’objectif que nous poursuivons, c’est évidemment la réduction de l’inflation qui doit être ramenée à sa cible de 2 %, et il appartient évidemment aux finances publiques de s’ajuster pour parvenir à une dette qui soit soutenable et à des finances publiques dont la discipline soit restaurée.

Michiel Hoogeveen (ECR). – Thank you, President Lagarde, for being here again.

I would like to ask you a question on the climate change aspect. In a recent blog you wrote – together with Fatih Birol, President of the International Energy Agency, and Werner Hoyer, President of the European Investment Bank – you wrote, and I quote, ‘Europe must accelerate the green transition to remain globally competitive,’ and you added, ‘If Europe fails to join the global energy revolution, it is competitiveness will be irreparably damaged’.

In addition, your colleague, board member Frank Elderson, recently stated – actually during a period of national campaigning in the Netherlands – that he was glad with the European Climate Law, glad with the Fit for 55 package, and that he was glad with the EU Nature Restoration Law, even before it was voted in the European Parliament, so – and he added that, and I quote, ‘We need to go faster and pull out all the stops to stop climate change.’
Now, I think – obviously what you said in your introductory statement – I think that indeed climate change could have an effect on financial and macroeconomic risks. I agree with that. But don’t you think these are quite strong statements, and you risk of being pulled into what is called the political debate, and something outside your mandate?

Christine Lagarde, President of the European Central Bank. – Thank you, Mr Hoogeveen, for this question. It gives me a chance to clarify without any doubt that our primary objective, our mandate, is price stability, and it prevails over any other objectives of any type.

But we still have within the primary objective the requirements to include all components that will help us determine what is the macroeconomic situation; to use our models in the most efficient way in order to prepare for monetary policy decisions.

We also have – without prejudice to the first objective, which remains the prevailing one – we have the secondary objective, which is to accompany and support the economic policies that is decided by other institutions than ours.

So, it’s very simple for us. It’s primary objective – that embeds in its technicalities and complexity elements of climate change, no question about that – and secondary objectives, which is only without prejudice to the first objective.

I don’t think that I have ever given a speech that I have ever written, anything in relation to climate change and monetary policy, without having prefaced always – as I have actually in the remarks that I just gave – that for us, it is very clear. It is the responsibility of governments, of parliaments, potentially of the judicial powers, but certainly not that of the ECB, as primarily responsible for climate change. It’s a tangential obligation that we have both under the primary and the secondary objectives of our mandate relating to price stability.

But in doing so, we try to identify where we can act, within which parameters, involving other actors, and whether it is the tilting of our portfolio, whether it will be in 2024 the assessment of the collateral that we receive, whether it is the supervision that acts under the auspices of the SSM, whether it is the improvement of our models – we always try to be as comprehensive and as accurate as possible.

I’m using the term ‘accurate’, because I’m especially attentive to the availability and quality of the data on which we can base our considerations. That is something which hopefully will continue to improve, but which is not yet at a stage where we can sufficiently rely on them in order to move in certain directions.

So, I call on you, actually, to help us in relation to quality and quantity of the data available, in order to include, both in our risk management as well as in our portfolio management, the appropriate climate-change considerations.

Michiel Hoogeveen (ECR). – A short follow-up, and thank you for your answer. I understand what you’re saying. At the same time, the energy transition – as you put in your blog, and as was put forward by your colleague Frank Elderson – is about the energy transition, and about accelerating the energy transition, and doing more on climate policies. Isn’t that fundamentally a political discussion, the way in which we stipulate and form our energy transition?
So, for example, my group is very much of the opinion that the current way, the direction we are going, will actually be a risk to competitiveness of the European economy. If we look at, for example, the investments in wind turbines, we recently saw that Siemens decided to stop using wind energy after the group lost EUR 4.5 billion in its wind businesses.

So, wouldn’t it be more — well, ‘wise’ is a bit of a suggestive term — but wouldn’t it be more careful, as central bankers, to refrain from engaging into what we believe is a highly politicised debate, and focus more, actually, on the core aspects of your mandate — and that is indeed the price stability — and try to stay away from pushing for a certain direction of the policies and the political debate?

Christine Lagarde, President of the European Central Bank. – Again, price stability is our compass. It’s our goal, it’s our target, and I will not repeat that enough.

But it’s not for us to debate decisions that have been made in trilogue or otherwise. And if the green transition is something which has been approved and agreed at the highest level of other institutions within the European Union, as has the digital transition been as well, I cannot argue with that.

It has been decided and it belongs to the public good policies, if you will. And as a result, we have to pay attention to them and include that in our secondary objectives.

France Jamet (ID). – Madame Lagarde, je voudrais aborder deux points avec vous qui entraîneront clairement deux questions de ma part. Le premier point: lorsque vous avez annoncé lors de vos précédents dialogues monétaires, que l’objectif de la Banque centrale européenne était d’arriver à un taux neutre pour les taux d’intérêt directeurs de la BCE, on est obligé de constater aujourd’hui qu’ils ont atteint environ 4 % à la suite d’une série de hausses sans précédent.

Or, pour définir une politique monétaire, il faut que la nature de l’inflation soit clairement identifiée. Eurostat nous dit que l’inflation est de 2,9 % pour octobre 2023, vous en avons parlé, vous nous avez donné ces chiffres également, en zone euro. Nous sommes donc au-delà du taux neutre. L’inflation sous-jacente dont vous avez parlé tout à l’heure, donc de l’énergie et des dépenses alimentaires est encore à 5,5 % depuis le début de l’année. Et partant de là, on peut que constater que la BCE est très loin du taux neutre.

Le deuxième point, c’est les taux de la Réserve fédérale américaine qui restent supérieurs à ceux de la Banque centrale européenne, ce qui peut comporter un risque sur la valeur de notre monnaie. Alors bien sûr, pour l’instant, l’euro semble résister tout simplement du fait d’une politique fiscale et budgétaire américaine très largement expansionniste.

Alors voici mes deux questions. La première: est-ce que vous considérez que vous êtes parvenu au taux neutre dont vous nous avez parlé plusieurs fois lors de nos différents échanges? Et la seconde, ne craignez-vous pas que la légère reprise de l’euro face au dollar ne soit que conjoncturelle? Partant de là, quelle est notre visibilité sur les taux de change à moyen terme dans un contexte géopolitique où, à tout moment, les pays producteurs, s’ils le décident, pourraient provoquer une flambée du pétrole en restreignant notamment leur production.
Christine Lagarde, présidente de la Banque centrale européenne. – Merci beaucoup pour votre question. Permettez-moi peut-être d’abord de clarifier ce que j’entends par «taux neutre», qui est aussi parfois appelé par les économistes «R star». En fait, ce taux neutre, c’est le taux auquel on arrive à un équilibre parfait où les facteurs de production fournissent, où on n’a pas de déséquilibre, on a une inflation qui est à la cible – c’est le principe de l’équilibre parfait du système, c’est ça pour nous le «taux neutre ».

Aujourd’hui, et je vais parler des derniers chiffres qui sont sortis, ce qu’on observe, c’est une inflation à 2,9 % en zone euro, une inflation hors produits alimentaires et hors produits du pétrole à 4,2 %. Donc on est vraiment sur des phases de décelération d’inflation, de désinflation, que l’on constate à la fois au niveau «core» et au niveau «headline». À côté de ça, on a des taux d’intérêt que nous avons portés graduellement au cours des quinze derniers mois de -0,5 – 50 points de base négatifs – à +4 % pour le taux principal de référence en augmentant nos taux de 450 points de base en l’espace de quatorze ou quinze mois. C’est une accélération et un mouvement jamais observés dans le passé et qui participent à la réduction de l’inflation, telle que je vous l’indiquais tout à l’heure.

Nous sommes convaincus que cette action contribue à la diminution de l’inflation. Nous pensons aussi qu’il faut maintenir ces taux pendant une durée suffisante pour que cela amène bien à la cible de 2 %, à laquelle on n’est pas encore: l’inflation est encore aujourd’hui trop élevée et l’est pour une période trop longue. Il nous faut tenir ce taux d’intérêt, et nous pensons que si nous le maintenons pendant suffisamment longtemps, cela contribuera à revenir à la cible de 2 % sur le moyen terme. Et ça, nous le ferons et nous tiendrons parole sur la base des données qu’on recevra à chaque exercice de projections économiques et sur la base des trois éléments spécifiques que nous avons indiqués pour expliquer de quelle manière on arrive à une politique monétaire, c’est-à-dire à la fois ce qu’on appelle la prévision d’inflation, deuxièmement les sous-jacents de l’inflation, et troisièmement la vitesse à laquelle notre politique monétaire est transmise dans l’économie et dans le financement de l’économie.

C’est le schéma sur lequel nous fonctionnons. Je crois que, dans ce contexte-là, il faut qu’on soit à la fois patients et attentifs. Patients, pourquoi? Parce qu’on a fait un très gros effort en l’espace de ces quinze mois et il faut qu’on vérifie bien que l’inflation baisse, que la transmission s’effectue, que l’ensemble des mesures de politique monétaire se transmettent et portent leurs fruits sur nos systèmes économiques. Il faut qu’on soit attentifs parce qu’il y a des facteurs qui contribuent aujourd’hui à l’inflation, qui sont en particulier la contribution du taux unitaire de l’unité travaillée et la contribution de l’unité de profit. Ce sont ces éléments-là et l’interaction entre les deux qui vont être déterminants pour en particulier observer l’évolution de l’inflation dans le secteur des services, qui est le secteur qui contribue actuellement le plus à l’inflation constatée.

Troisième chose sur laquelle vous m’interrogez: le différentiel entre le taux de la Fed et le taux de la Banque centrale européenne. On a un écart de toute évidence – de mémoire, je n’ai pas vérifié le chiffre, mais on a à peu près un point d’écart. On est à un taux directeur de 4 alors que les différents taux américains sont entre 5 et 5,25 %. Ça correspond aussi à des fondamentaux qui sont différents, à une croissance différente et qui est plus forte aux États-Unis, et sur laquelle je crois que la politique monétaire souhaite intervenir de manière plus ferme, et plus vigoureuse sans doute.
Pour autant, vous l’avez constaté, on a un taux de change entre l’euro et le dollar sur lequel nous n’avons pas d’observations particulières – autre que la contribution que cela apporte à l’inflation – on a un taux de l’euro qui s’est accru au cours des dernières semaines. Alors, je me garderai bien de faire des prévisions en matière d’évolution sur les taux de change. Nous l’observons de manière très attentive, bien sûr, parce que ça contribue à l’inflation, importée ou pas, selon que l’euro se déprécie ou non, mais c’est un différentiel qui s’explique par de multiples facteurs.

Lídia Pereira (PPE). – As declarações da Presidente Lagarde ou de qualquer outro membro do Conselho do BCE têm, evidentemente, impacto nos mercados e no valor da moeda única. E isso tem uma razão: chama-se «credibilidade». Credibilidade que resulta de autoridade, e autoridade que resulta de independência. E, por isso, pergunto-lhe sobre a violação flagrante do código de conduta por parte de um membro do seu Conselho, Mário Centeno. Mário Centeno é Governador do Banco de Portugal, depois de passar a «porta giratória» para fora do governo, em que era ministro das Finanças. Mais: de Presidente do Eurogrupo para membro do Banco Central Europeu. Isto em 37 dias. Agora, aceitou ser indicado pelo Primeiro-Ministro de Portugal para o substituir, querendo fazer a «porta giratória» no sentido contrário e, portanto, ferindo a independência, que ficou comprometida de forma irremediável. Alguns colegas já a questionaram por escrito, mas pergunto-lhe aqui: o Banco Central Europeu vai ignorar a violação do seu código de conduta ou vai tomar alguma diligência?

Christine Lagarde, President of the European Central Bank. – Thank you very much, Ms Pereira, for your specific question.

Let me make that point very clearly. The independence of the ECB decision-making bodies is essential for achieving its mandate. Being truly independent requires all ECB policymakers to abide by the highest ethical standards. The ECB has in place for its high-level officials a strong code of conduct and a dedicated Ethics Committee to ensure that the ethical rules are implemented adequately, coherently, in a level playing field.

So, I have received letters on the matter from Members of this Parliament. I have asked the ECB Ethics Committee to look into it, and will answer after receiving the assessment from the Ethics Committee.

Pedro Marques (S&D). – Senhora Presidente Lagarde, tenho de começar por lamentar que o PSD volte a fazer este episódio, a trazer temas nacionais para o Parlamento Europeu. O Banco de Portugal e o seu Governador não falharam em nenhuma das suas funções. Não se questiona a capacidade de o fazer com independência. A Europa não deve servir para continuar a fazer campanha pré-eleitoral nacional. Um partido responsável e que se quer de governo andar a lançar dúvidas sobre uma instituição tão importante como o Banco Central do seu próprio país, com propósitos eleitoralistas, não aproveita certamente ao PSD, mas infelizmente já estamos habituados. Do meu ponto de vista, foram outra vez ultrapassados os limites de decência e de defesa do interesse nacional.

Posto isto, Presidente Lagarde, vamos àquilo que realmente interessa e não a estes episódios que a Senhora Deputada aqui quis trazer. Disse recentemente que uma pessoa que lhe é bem próxima perdeu dinheiro com as criptomoedas e defendeu mais regulação no sector. Gostava de lhe perguntar: tem também, certamente, familiares próximos, amigos que estejam a sofrer muito com o aumento das taxas de juro no crédito à habitação. O BCE está focado em baixar a inflação, corretamente. Mas gostava de lhe perguntar como podemos explicar às pessoas
Christine Lagarde, President of the European Central Bank. – Thank you very much, Mr Marques. I think what you’re referring to is the impact that interest rate hikes have been having on the financing conditions of households in particular and those that have taken out mortgages.

Let me first observe that we have quite a lot of heterogeneity in Europe and in the euro area. There are quite a few countries where households have borrowed under mortgage at fixed rate, and for those, obviously – for the borrowers at fixed rate – the current situation is not totally uncomfortable, quite to the contrary.

But there are also countries – and I think Portugal is one, but Finland is another one, the Baltic countries as well – where there is a predominance of variable interest rate mortgages, and for those, of course, the burden of the debt service has increased as the interest rate has been hiked over the last year. So that is clearly the case.

In a way, we, as a central bank, are observing that, monitoring that, and we draw the conclusion that there is good transmission of our monetary policy. Because as we increase the DFR, for instance – or other interest rates, but this one is the most relevant one – we are keen to see that it is transmitted throughout the system in the financing terms that are offered to corporates and to households.

We also observed that in the last few months – for term deposits, certainly, and a bit more now for deposits – we are seeing a slight increase of the interest rate that is served – certainly in different proportions, much higher for term deposits, and still very low for sight deposits. We very much hope that our monetary policy is transmitted not just in the mortgage rates, but also in the deposit remuneration.

So, that’s what I can tell you at this point in time, in terms of the burden that applies to mortgage holders. I know that there are countries where terms and conditions of those loans provide for a specific suspension for a period of time, particularly if households go through a difficult economic situation. I know that many banks have actually offered to extend those terms and conditions while interest rates are still high and continue to be high.

Georgios Kyrtos (Renew). – I would like to thank President Lagarde for her presentation.

I have a question concerning the coordination between major central banks in an effort to reduce inflation. Are you satisfied by the level of coordination? Are some things that could be improved between the Federal Bank, for instance, the ECB, the Bank of England? Or is everything covered by professional secrets, so you don’t have to tell us anything? This is my first question.
The second question has to do with what Mr Ferber said about the fiscal policy, because in the European Union, we have two schools of thought. One school supports, let’s say, an expansionary fiscal policy. The other wants to apply some kind of fiscal brake. But what about other major Western countries? For instance, the USA has a budget deficit of more than 6% of GDP, if I’m not mistaken, and we have a similar evolution in Japan and the United Kingdom.

So, how do you think we can reconcile getting our house in order, our fiscal house in order – which, I agree, is necessary – with the fact that other Western powers, which are competing with us in any way, have even bigger deficits?

Christine Lagarde, President of the European Central Bank. – Thank you very much, Mr Kyrtos.

On your first question, which is the coordination between central banks around the world, we do compare notes. We do exchange views. We don’t coordinate monetary policies. On a regular basis, all central bankers who are members of the club meet in Basel.

That’s where we look at financial stability. That’s where we look at the state of the global economy and the spillovers between the various economies. So, we try to have as much of an intake of economic measures, economic policies, change in the geopolitical landscape.

So, we discuss all these matters, but we never coordinate our monetary policy. While we can meet a few days before a monetary policy meeting, either in Washington or in Brussels, or in Tokyo or in London, we never, ever share what our expectations are going to be or what decision we will propose. It stays within the Governing Council, from my perspective as ECB, and within the FOMC at the Fed, and it’s not something that I would even think of sharing, let alone ask in terms of information.

But of course we are focused on price stability. All of us. And some of us – I think of the Fed, for instance – have a dual mandate and is also concerned about growth and will decide its monetary policy on the dual basis of its dual mandate.

Fiscal policy, you’re right, is very different in terms of fiscal support, in particular between the United States and Europe, between Europe and Japan. It’s a factor of our different economies. It’s a factor of the different strength of our currencies as well. It’s a factor of political preference.

From our perspective, I would say two things. One is, please, both governments, Parliament and all institutions concerned, deliver some fiscal framework within which fiscal policies can be decided, with common criteria, with common understanding of what is intended and expected, in terms of competitiveness, in terms of investment, in terms of public finance.

Second, let’s make sure that there is enough investment in order to improve the competitiveness of Europe in all sectors where we have competitive advantage or where we can develop competitive advantage.

Danuta Maria Hübner (PPE). – Madam President, as usual, pleasure, but I would also like to thank you very much for your recent speech on the capital market union, because, as you
know, we have been – Irene would confirm – for the last years, actually, we have been fighting for the truly single capital market union.

But, as you know very well as well, we are often facing, especially in the trilogues, just narrow-minded defending of national interests, and so I hope that your speech will strengthen our position also in the upcoming trilogues. So thank you very much for this.

I would have two questions. One is a request to you to update us on the Transmission Protection Instrument, because I understand that since it was launched in July 2022, it has never been used. But then if you look at the spreads, if you compare the spread between Italian and German bonds, you can see that in this year, the situation of Italian bonds improved strongly. So maybe we don’t need this instrument to be applied, because it is enough that it is somewhere hanging in the air and is working as a kind of risk instrument, or just impacting without being used. So that’s my one question.

My second question is related to what you said about the fiscal rules in response to Markus Ferber’s question. You said that those new ones on which we are working with the Council, or maybe still separately, that they should come as soon as possible, because we bring the reduction of uncertainty.

But in this context, I would like to ask you, because my understanding is that the Commission proposal would lead to substantial tightening of the fiscal stance in the medium term. So it will not just come overnight. It will take for some time this process of tightening the fiscal policies, and this continued fiscal consolidation under this new fiscal framework might result in an overly tight fiscal stance.

The question to you is – I don’t know when you will finally reach the target inflation, but you can reach a moment where your implementation of the new fiscal rules will collide with the logic of monetary policy. Do you see this risk that this process of implementing this rule – which will be monitored, and we will be very tough on it – can somehow be in collision with your logic of monetary policy that might ... – so do you see this risk? Do you worry or you think that you will just cope with it once it’s come?

Christine Lagarde, President of the European Central Bank. – Count on me, on capital markets union. I will repeat if necessary, and it’s really, really important, and I agree exactly with your characterisation of the approach that is taken occasionally by Member States, which I think calls for a higher imperative than the pure domestic perspective.

So, on your first question on the Transmission Protection Instrument that we outlined and announced in July 2022. It was intended to safeguard the smooth transmission of our monetary policy throughout the entire euro area market and to all countries, and it was certainly not intended to cushion the worsening of country-specific fundamentals. That’s very clearly stated.

So it has a set of criteria that apply to countries that would eventually fall under the benefit of that Transmission Protection Instrument, that would benefit from the Transmission Protection Instrument. I can list them for you.
It’s number one: compliance with the EU fiscal framework. Number two: the absence of severe macroeconomic imbalances. Number three: fiscal sustainability. Number four: sound and sustainable macroeconomic policies.

Of course, before those criteria are applied to any potential candidate country, we have to determine that the TPI is actually appropriate and proportional in order to deal with the situation. In particular, we need to make sure that it’s intended for the purpose for which it was created.

It was intended for a temporary period of time and without prejudice to our monetary policy. I think it’s a good instrument. We have not had to use it and it’s not the only instrument that is in the toolbox and which we haven’t used, but it’s there, and if and when it is necessary to use it, of course we will use it.

So your second question related to the response that I gave to Markus Ferber concerning the fiscal governance and the economic dialogue that is ongoing at the moment, for which I encouraged very much the parties to the agreement to reach a conclusion as quickly as is possible, for one primary reason: it would help us eliminate the uncertainty and the vagueness of the parameters within which Member States are deciding their budgets at the moment.

They have guidelines. They have some recommendations. The Commission has to scrutinise their proposed budget, as it normally does, but without reference to a framework, or with reference to an old framework which everybody seems to agree is not adequate in order to deal with the current situation.

We have transmitted our comments, and we have given an opinion which was agreed by the whole Governing Council in response to the draft Commission plan, which has now been revised under the Spanish Presidency, which has come up with some new proposals.

But those comments included in particular: one, a realistic and gradual and sustained adjustment of public debt – so that coincides with what you said – which is not a brutal effort which is frontloaded, but over the course of time, for seven years. This is something that is much in debate, as I understand – a public debt that comes back to a more realistic and good adjustment that makes it sustainable.

Second, we have encouraged policies that promote growth and investment; and third, we have encouraged the announcement of countercyclicality; and we have also added that the enforcement mechanism should be efficient, should be enforceable – which we have not always seen – and that the whole new framework should hopefully be more simple to understand and to implement.

So, we hope that this will be the case. I’m a little bit sceptical about the simplicity aspect of what is being negotiated at the moment – and not that it would require a brain surgeon to actually understand how it applies – but it would certainly require a lot of thorough knowledge of all the criteria, the parameters, and the various alternatives in the tree of decision that the Commission will have to apply.

But, first and foremost, we would like to have some certainty about what framework will apply. Thank you.
Λευτέρης Νικολάου-Αλαβάνος (ΝΙ). – Κυρία Πρόεδρε, κυρία Lagarde, το ουσιαστικό χαρακτηριστικό της περιόδου που διανύουμε σήμερα, όπως μαρτυρούν τα στοιχεία και από την Ευρωπαϊκή Ένωση, τις Ηνωμένες Πολιτείες αλλά και από την Κίνα, είναι η ύφεση και η διαφαινόμενη καπιταλιστική κρίση που μπορεί να προκύψει, η οποία βεβαίως —όταν εκδηλωθεί— θα εκδηλωθεί πάνω στο έδαφος των πολλαπλών βασάνων που έχουν οι εργαζόμενοι, που δεν τα βγάζουν πέρα με το τσακισμένο εισόδημά τους από τον πληθωρισμό, ο οποίος και εσείς εκτιμάτε ότι είναι επίμονος. Και, βεβαίως, η ακρίβεια που δημιουργήσαμε θα μείνει για χρόνια, σε συνδυασμό και με τις εκ νέου αυξανόμενες τιμές του ρεύματος. Παρά την ακρίβεια, οι μισθοί —και καθ’ υπόδειξη της Ευρωπαϊκής Ένωσης και της Κεντρικής Τράπεζας— παραμένουν παγωμένοι, αφού θεωρείτε τις αυξήσεις στους μισθούς πληθωριστικές, ενώ παίρνονται σκληρά μέτρα, όπως για παράδειγμα στην Ελλάδα το νέο φορολογικό νομοσχέδιο σε βάρος αυτοαπασχολουμένων, ενώ ταυτόχρονα διατηρούνται οι φορολογικές διευκολύνσεις στους ομίλους.

Οι βασικές δύο γραμμές, τόσο η περιοριστική δημοσιονομική πολιτική που επέλεξε η Ευρωπαϊκή Ένωση πριν από δέκα χρόνια στην προηγούμενη κρίση όσο και η επεκτατική πρόσφατα —και οι δύο για όφελος των μεγαλοπεριχειρηματιών— δεν μπόρεσαν να αντιμετωπίσουν την ύφεση και την κρίση, γιατί πρόκειται για κρίση υπερσυσσώρευσης κεφαλαίου και του χαμηλότερου από το επιθυμητό ποσοστού κέρδους. Αντίθετα, αύξησαν τις κοινωνικές αντιθέσεις, με το 1% του πληθυσμού να κατέχει το 50% του πλούτου, 10% παραπάνω σε σύγκριση με 10 χρόνια πριν, ενώ ένας στους τέσσερις εργαζόμενους στην Ευρωπαϊκή Ένωση σήμερα βρίσκεται σε κίνδυνο φτώχειας.

Σε αυτή τη βάση, θα ήθελα μια τοποθέτηση δική σας σε σχέση με τις απαιτήσεις των εργαζομένων και του λαού σήμερα, να μην πληρώσουν εκείνοι τη διαφαινόμενη κρίση όπως πλήρωσαν την ανάπτυξη. Για την ανάκηθη δηλαδή ενίσχυσης του λαϊκού εισοδήματος, αυξήσεις στους μισθούς και τις συντάξεις πάνω από τον πληθωρισμό, κατάργηση των αντιλαϊκών ειδικών φόρων κατανάλωσης, αύξηση της φορολογίας των κερδών των ομίλων στο 40% και μείωση της φορολογίας για τα λαϊκά στρώματα.

Christine Lagarde, President of the European Central Bank. – Thank you very much for your question.

Two things that I would like to mention in response to your various points. One is: I believe that in delivering on our mandate of price stability, we reduce the inequality that is produced by high inflation. That’s point number one.

Point number two: we are observing at the moment a balancing act between the contribution of profit versus the contribution of wages. While, of course, as you know, we remain very attentive that we don’t go into the second-round effect and the spiralling of inflation out of control, we also assume in our baseline that wage increases – which are continuing, because of the catch-up, because of the tight labour market – will entail a reduction of the profit margin, which have themselves contributed in 2022 significantly to inflation.

But we are seeing – and that’s the graph that you have here at the bottom of page one – the contributions to GDP deflator, where you see that the contribution of wages has increased, and we are now seeing a reduction of the contribution of profits measured by unit, both for labour and profit. Thank you.
Gunnar Beck (ID). – Good afternoon, Madame la Présidente.

In 2015, your predecessor went to very great lengths to assure us that multi-trillion bond purchases were not monetary financing, and that the ECB’s purchases were merely temporary. The German Federal Constitutional Court subsequently took up that point and stated very clearly that if ever bond purchases became permanent, that would be a clear proof that the ECB is engaging in monetary state financing.

Now, on 9 November, your chief economist, Philip Lane, announced the ECB thought that, quote, ‘a durable level of central bank reserves was required’ and – I’m still quoting – ‘that a structural bond portfolio was most suitable, as this would provide longer-term liquidity to the banking system’. In other words, a portfolio would permanently include APP and PEPP purchases.

So, was Mr Draghi not altogether honest all along, or can you assure us, contrary to Mr Lane’s musings, you will eventually liquidate all bond holdings?

Christine Lagarde, President of the European Central Bank. – Thank you, Mr Beck. I’ll tell you something, I would be remiss to pass any kind of final judgment and to give you final consideration as to how these reserves will be constituted.

As you probably know, given the pertinence of your question, we are undergoing a review of what we call the operational framework, which is the way in which we try to monitor interest rates, the way in which we provide liquidity to banks.

This is an extremely complicated matter, where we have to study in depth many consequences of the various options, which include financing, refinancing; which include structural portfolio; which includes the volume of liquidity that is necessary and the way in which banks will access that liquidity. It’s a complicated matter which will give rise to multiple trade-offs review, and we are in the middle of this work.

So this is very much work in progress. There will be many views expressed in the next few months. There will be in-depth examination of options, and it will be for the Governing Council at the end of the day to actually determine what will be the operational framework.

It may well include several components. That is a possibility. What I can imagine is that it will produce a balance sheet, the size of which will be definitely smaller than the peak that we have observed in the last couple of years; where I would imagine it will also be higher than what it was before the great financial crisis.

The third observation that I would make is that even when the Governing Council of the ECB has made its decision – on the basis of, as I said, multiple observations and opinions – when it does so, there will be experimentation, because of the highly sophisticated nature of this operational framework.

But we will do that taking the appropriate time to review all the options. The one that you have mentioned is certainly a very informed consideration, but there will be more, and the ultimate decision will belong to the Governing Council of the ECB. Thank you.
Chair. – Thank you very much. I have no further requests for the floor, so we can thank President Lagarde for her availability as usual.

Also I take the opportunity to highlight that the next, and also last, monetary dialogue of this legislative term is expected to take place on February 2024, and this will happen just after the 25th anniversary of the introduction of the euro, which took place on the 1 January 1999.

In this context, the ECON Committee coordinators have decided to focus on one topic: ‘Euro at 25 – what’s next for the EMU?’, which will allow to take stock of the first 25 years of the common currency, while assessing future challenges for the Economic and Monetary Union.

So, thank you very much. We will meet again in February. Thank you. Happy New Year.

Yes, we suspend for half an hour and we resume at 17:00 with the hearing with the Commissioner Breton.

(The Monetary Dialogue closed at 16.32.)