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**COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS
MONETARY DIALOGUE WITH CHRISTINE LAGARDE,
PRESIDENT OF THE EUROPEAN CENTRAL BANK
(pursuant to Article 284(3) TFEU)**

**BRUSSELS,
MONDAY, 20 MARCH 2023**

1-002-0000

IN THE CHAIR: IRENE TINAGLI

Chair of the Committee on Economic and Monetary Affairs

(The meeting opened at 15.09)

1-003-0000

Chair. – Dear colleagues, I want to welcome President Lagarde to this first monetary dialogue of 2023. Our monetary dialogue today is again taking place in a very particular and challenging economic environment marked by strong, albeit moderating, inflationary pressures. Uncertainty remains high and the financial stability risks have increased, with the warning coming from the US via the Silicon Valley Bank collapse.

Since the last monetary dialogue on 28 November 2022, the ECB Governing Council has continued on its monetary policy tightening path. Key interest rates have been increased three times, by an overall 150 basis points, which brought key interest rates to their highest level since October 2008. As of March, the ECB has embarked on the quantitative tightening path via limiting reinvesting of maturing securities for the first time ever in the euro area.

The latest ECB staff projections lowered the inflation projections over the whole forecast horizon and lifted the outlook for growth in 2022-2023. Overall, inflation has been revised down to 5.3% in 2023, 2.9% in 2024 and 2.1% in 2025. Yet underlying price pressures remain strong as core inflation continued to increase in February and ECB staff expected it to average 4.6% in 2023, which is higher than foreseen in the ECB's December projections.

So today the policymakers face a very difficult task. The right policy mix is crucial when combating high inflation, since there might be important side effects like economic slowdowns and financial stability issues. As far as the latter is concerned, President Lagarde, during her press conference, clearly stated that currently there is no trade-off between price stability and financial stability, but that in any case, the ECB stands ready to provide any kind of additional facilities if needed.

So let me say that financial stability is not only a matter for the ECB, it is something that concerns all regulators, supervisors and legislators as well. The collapse of the Silicon Valley Bank reminded us about our homework by underlining the need to translate faithfully the Basel standards into our jurisdiction and to finalise and improve the bank crisis management framework, including the third pillar of the banking union, the European Deposit Insurance Scheme.

As for today's meeting, two topics were chosen by the ECON Committee coordinators. One is 'quantitative tightening in the euro area', and the second topic is 'the prospects for monetary policy one year into the war in Ukraine'. As usual, all briefing papers that were prepared by the

EP panel of experts are available on the ECON Committee's website, and some of them were presented last week in our usual preparatory meeting.

Before starting, let me briefly record the procedure. Introductory remarks by President Lagarde of about ten minutes will be followed by a first round of questions – one slot per political group, longer slots for speakers in the first round of Q&A – with a follow-up question allowed. So there will be 1.5 minutes for the initial question and three minutes for the answer, with the possibility of a follow-up question of one minute maximum and then with the two minutes maximum for the answer.

Then there will be a second round of questions without a follow-up – one minute for questions and three minutes for the answer. I really ask you to respect the time given to you.

Just as a reminder, the monetary dialogue today will be followed by a public hearing with Madame Lagarde in her capacity as chair of the European Systemic Risk Board. So, President Lagarde, we are now looking forward to hearing you.

1-004-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much, Chair, and thank you very much for these opening remarks that you just made, and thank you to all of you present today for your interest in this matter.

I'm very happy to be back in Parliament to discuss the ECB's monetary policy, shortly after last week's Governing Council meeting. More than one year has now passed since that February morning when we all woke up to the horrifying news of war in Europe. The Russian invasion of Ukraine, which you have selected as a topic of this hearing, is first and foremost a human tragedy. A human tragedy for the people of Ukraine. And in the face of this senseless atrocity, they have shown remarkable resilience and determination.

I would like to quote a former President of this European Parliament, José María Gil-Robles, who sadly passed away last month. He said, "the future belongs to those who are prepared to make the effort to hear the voice of hope". As Europeans, we need to continue hearing the voice of hope coming out of Ukraine and support the Ukrainian people in their struggle for freedom, democracy and peace, the fundamental values of our Union.

It is clear that solidarity, especially during this crisis, makes us stronger and more resilient. So we must continue to nurture our ability to act together, which has again proven effective over the past year. We have managed to reduce our dependency on Russian pipeline gas by roughly 80%, and gas prices have now fallen back to levels below those seen before the invasion.

In my remarks today, I will start by discussing current market developments and then proceed to outline our assessment of the euro area economy before explaining our latest monetary policy decision taken last week. But let me point out in the face of the most recent developments that I welcome the swift action and the decisions taken by the Swiss authorities. These actions are instrumental for restoring orderly market conditions and ensuring financial stability. Let me also remind that we are monitoring market developments closely and stand ready to respond as necessary to preserve price stability and financial stability in the euro area.

The euro area banking sector is resilient, with strong capital and liquidity positions. In any event, the ECB's policy toolkit is fully equipped to provide liquidity support to the euro area financial system if needed, and to preserve the smooth transmission of monetary policy.

I will now turn to the outlook for the euro area economy and monetary policy. Euro area activity stagnated in the fourth quarter of 2022, according to Eurostat's latest reference. The outcome was slightly better than what we had expected in December. However, private domestic demand

fell sharply. High inflation, prevailing uncertainties and tighter financing conditions dented private consumption and investment, which fell respectively by 0.9% and 3.6%.

Survey indicators for economic activity have steadily improved over recent months, coinciding with reduced concern about energy shortages and price increases. These factors, coupled with the ongoing support provided by fiscal policy and the continued resilience of the labour market, are expected to support a recovery over the coming quarters. Accordingly, projected growth for 2023 has been revised up to 1% in our latest staff projections, which also foresee growth of 1.6% both in 2024 and 2025, which is a slight downgrade from where we had our projection last time around. It has to be stressed, though, that the ECB staff projections were finalised before the recent emergence of financial market tensions. As such, these tensions imply additional uncertainty around the baseline assessments of inflation and growth.

Turning now to inflation, it has decreased from its peak in October, owing to a sharp drop in energy prices, and stood at 8.5% in February. Input cost pressures, which are partly related to the past surge in energy costs and the impact of supply bottlenecks and reopening effects are all weakening. However, accumulated price pressures are still spreading through the economy, with a delay. As a result, inflation, excluding energy and food, has continued to increase, reaching 5.6% in February. Wage pressures have strengthened on the back of a robust labour market and employees aiming to recoup some of the purchasing power that they have lost to high inflation.

Moreover, many firms have been able to raise their profit margins in sectors faced with constrained supply and resurgent demand. The energy price shock implies a hit to the domestic economy, which should be absorbed by both firms and workers in order to ensure that it does not lead to a spiral of upward price and wages adjustments.

In the baseline of our latest staff projections, headline inflation has been revised downward, mainly reflecting a smaller contribution from energy prices than previously expected. We now see inflation averaging 5.3% in 2023, 2.9% in 2024 and 2.1% in 2025. At the same time, underlying price pressures remain strong. Inflation excluding energy and food is expected to average 4.6% in 2023, which is higher than foreseen in the December projections. Subsequently, it is projected to come down to 2.5% in 2024 and 2.2% in 2025, as the upward pressures from past supply shocks and the reopening of the economy fade out and as tighter monetary policy increasingly dampens demand.

As inflation is projected to remain too high for too long, the Governing Council last week decided to increase the three key ECB interest rates by 50 basis points, in line with our determination to ensure the timely return of inflation to our 2% medium-term target. The elevated level of uncertainty reinforces the importance of a data-dependent approach to our policy rate decisions, which will be determined by our assessment of the inflation outlook in light of the incoming economic and financial data. Two, in light of the dynamics of underlying inflation and three, in light of the strength of our monetary policy transmission.

The key ECB interest rates remain our primary tool for setting the monetary policy stance. The reduction of the asset purchase programme portfolio, the second topic of today's hearing, is part of our monetary policy normalisation. As of the beginning of the month of March, the APP portfolio has been declining at a measured and predictable pace of 15 billion per month on average and will continue to do so until the end of June. The subsequent pace after June 2023 will be determined over time, and the Governing Council will regularly reassess the pace to ensure that it remains consistent with the overall monetary policy strategy and stance to preserve market functioning and to maintain firm control over short-term money market conditions.

So let me conclude. With war in Europe and high inflation requiring immediate action, policymakers may be inclined to divert their attention from long-term challenges. But we must all strive to keep up our efforts to address the existential crisis of climate change. For us at the ECB, this means continuing to make progress on our climate roadmap. This week, on the 23 March, to be precise, we will publish the first climate-related financial disclosures of the Eurosystem's corporate sector assets held for monetary policy purposes and of the ECB's own funds and the staff pension fund. We will be joined in the coming weeks by all Eurosystem central banks, which will also disclose climate information on their own euro-denominated non-monetary policy portfolios.

Besides helping us be more transparent about our climate impact, these disclosures help track our progress towards supporting, within our mandate, a decarbonisation path in line with the goals of the Paris Agreement and EU climate neutrality objectives. They will show, for example, that our corporate sector portfolio is becoming less carbon-intensive, partly thanks to our efforts to tilt purchases towards issuers with a better climate performance. Over time, as more and better quality data become available, we will improve the level of details and expand reporting to include other portfolios and asset classes. Better and harmonised climate disclosures for all asset classes would help not only the ECB but also the entire financial sector to better account for climate-related risks. With that, I thank you for your attention and I now look forward to your questions.

1-005-0000

Luděk Niedermayer (PPE). – Thank you very much, Irene, and welcome, Madam President. Starting with inflation, as you rightly said, the CPI is behind the peak, but core inflation is very concerning. Combined with the relatively positive outlook for the economy, we are still in the middle of inflation troubles and, as you rightly said, the risk is that inflation expectations can stick to too high a level.

I very much appreciate that your interest rate policy seems to be on the track, but I wonder what is the role of other policies that are within the public domain? So first of all, how you see the role of balance sheet reduction, that you just highlighted, for disinflation, and if there will be some discussion about a quantitative policy role in monetary policy in the future. Also, I would like to hear how you see the role of fiscal policy in current development. I want also to ask a question on banking, but let me stop now and I will do this in the second part.

1-006-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much, Mr Niedermayer, for these questions. I would like to just stress the fact that what we regard as the key policy tool in our determination to return inflation to 2% in the medium term is the interest rates. So, what we are doing in terms of normalisation of monetary policy at the moment is not the key instrument that we are using.

So, what we have decided at our February meeting is to define the modalities of reducing our asset purchase programme holdings. During the period of partial reinvestment, the Eurosystem will retain the existing smooth reinvestment approach. The monthly redemptions under the APP between March and the end of June 2023 will exceed the decided average run-off pace of EUR 15 billion per month. Partial reinvestment in excess of 15 billion per month will ensure that the Eurosystem maintains a continuous market presence under the APP over this period.

We will decide, on the basis of our observations of the markets and our partial reinvestment policy, at the end of June and probably before that, in order to be in a position to revisit our decision in terms of volume and pace, what we do next. We will determine whether we move from 15 billion per month to more or to less. But all of that is going to be data dependent. As we have indicated in our most recent monetary policy decision, forward guidance is no longer one of the tools that we are using. However, for this partial reinvestment policy, we have

indicated some forward guidance because it takes us until the end of June. But post-June we will have to determine what happens going forward.

You asked me about fiscal policy, and we could spend a lot of time actually on the theme of fiscal policy. I think what we have, and what I have said repeatedly at the Eurogroup, and what the Governing Council has indicated very clearly in the last two monetary policy statements, is that it was now time for fiscal authorities to roll back the support that had been decided in order to support the population at large in most instances against the impact of the energy crisis. We have observed, despite the recommendations of having those fiscal support programmes be temporary, targeted and tailored, that it was not necessarily the case, and that only probably about 25% of those programmes were actually labelled ‘triple T’ – temporary, targeted and tailored. So, our recommendations and our hope is that fiscal authorities will appreciate the necessity to proceed to a recalibration of the fiscal supports that had been decided and that those programmes will be focused on those who need it most and will be tailored in order to make sure that there is an incentive to reduce the consumption of energy.

So, that has been our position and we have been flagging, for the last two monetary policy Governing Council decisions, that now it really was time to do so, because in the absence of such recalibration, the two policies – monetary on the one hand and fiscal policy – would be working at cross-purposes and would risk pushing us into tightening more our monetary policy going forward.

1-007-0000

Luděk Niedermayer (PPE). – Thank you. I have nothing to add to this question, so let me go to the banking question, and maybe just to say what is my impression, that when talking about the reduction of quantitative measures, that means your balance sheet reduction is now rather an issue of financial stability than of monetary policy.

But on the banking, my view is that it’s not entirely surprising that some banks are in a difficult position as it is a combination of a very long period of extremely low returns and interest rates with a sharp, well-justified increase of interest rates now. We are now in a very early stage, so we don’t know what will happen then, but I wonder how strong for you is the relevance of this event to monetary policy, and if you would expect that in order to allow you to better operate monetary policy, there should be some reflection of the risks that materialised, unfortunately, in the case of some banks, by the regulators and supervisors.

1-008-0000

Christine Lagarde, President of the European Central Bank. – Thank you so much for your second question, Mr Niedermayer. We could also spend a lot of time on that one, like the one on fiscal issues.

But let me also repeat a point that I made during the press conference after the monetary policy decision that we made last week. In my mind, and in the mind of the Governing Council, there is no trade-off between price stability on the one hand and financial stability on the other hand. For each of these two stabilities, we are using different tools. Price stability is the primary objective of the European Central Bank, but we all know that price stability goes with financial stability and they are both important and come together. But there is no trade-off between the two.

We will use the tools that we have in order to address price stability, and that’s what we are doing. We are using the interest rates that we have, and this was the case last week and this was the case before, because we have enough ground to cover to move at the pace we are moving. As far as financial stability is concerned, we have all the tools that will be needed, that are needed eventually, in order to address financial stability tensions. So, we have the standard operation, we have other tools that can be used. We have demonstrated that in the past, and those tools will be used if necessary. But I don’t see a trade-off between the two.

Now, of course, financial stability to the extent that it impacts the economic situation, to the extent that it impacts our projections, has an impact on how we see the situation from a macroeconomic point of view. But they are two different stabilities addressed by different tools.

1-009-0000

Jonás Fernández (S&D). – Madam President, first of all, I would like to welcome you and thank you for being here.

In your initial intervention, and now in your replies to my colleague Luděk, you referred to some recommendations to the Member States on the management of fiscal policy to help the ECB achieve the inflation target. You indicated that the fiscal position of the Member States should be rather neutral and, on the other hand, made recommendations on the decomposition of public spending, seeking to reduce aid to the most disadvantaged groups and to move forward with a phase-out of these aid measures from last year.

My question concerns these recommendations on fiscal policy and the data we are seeing regarding wage developments and the evolution of corporate margins. Wages at the moment do not reflect the evolution of inflation. We are not seeing very pronounced second-round effects on wages, and yet the ECB itself, the European Commission and other observers have noted that corporate profits are showing extremely strong growth or, in other words, that higher inflation is primarily reflected in profits.

I wondered if you would have any recommendations for the Member States on how to avoid such a growth in profits, which it could be said might also contribute or does also contribute to the inflationary spiral.

1-010-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much, Mr Fernández, for your questions, and for focusing specifically on the two key factors, which are labour and capital, workers and corporate, salaries and margins.

As you will have noted, in our latest monetary policy statement, we do specifically refer to the margins which have been generated in the corporate sector, and I have in my most recent comments in that respect indicated that it was desirable, in order to avoid the risk of spiralling inflation and a potential second-round effect, that there be good burden-sharing in order to support this quasi tax that is impacting factors of production and ultimately consumers.

In that respect, it is not obviously within the ambit of a European Central Bank or any central bank to do that, because what we are concerned about is the second-round effect, is the risk of spiralling inflation, and our main objective is price stability. But it is for the economic actors to actually allocate this burden and to share it appropriately.

We have for the moment identified in our monetary policy statement that corporate margins had, if not increased, at least been maintained, and that there are some sectors which have been particularly prone to this maintaining of the margins.

You have in the two pages that I think were circulated to all of you an interesting graph which indicates in particular this phenomenon about margins. It should be the case that, as demand dampens, prices ultimately have to go down and that margins will be squeezed. But this is not something that we have observed most recently in many sectors, in particular those that were exposed to the consequences of the pent-up demand as a result of the recovery. We cannot exclude either that in some sectors, more than just the passing-through of cost has impacted margins on the way up.

1-011-0000

Jonás Fernández (S&D). – Thank you very much for your reply. I will ask you later – at the next session – about the instability of the financial markets.

As for this question, on this issue, on the breakdown of costs in terms of wages and profits, I am surprised that you make recommendations regarding public spending by the Member States, the need to limit or reduce the current range of beneficiaries of public support to fight inflation, but that when we talk about profits, you do not have any recommendations to make.

I don't know whether you could recommend increasing market competition or raising taxes on profits to help fiscal policy go hand in hand with monetary policy. There are instruments on the table. There is something evident that you acknowledge and I am surprised that you don't make any recommendations in this case whereas you do as regards public spending patterns.

1-012-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much for the follow-up. I think that there are various tools that are available. You mentioned competitiveness, you mentioned tax, you mentioned that. I would think also of improved competitiveness by more – how would I put it? – more targeted review of concerted agreement and possible practices amongst some of the corporate players, which I think begs some specific attention on the part of the antitrust authorities and competitiveness commissions in countries where they investigate those sectors.

I think our policy recommendation has not dealt with the tools that can be used by the fiscal authorities, but has dealt with the key principles: we have repeated 'temporary', we have repeated 'targeted', we have repeated 'tailored'. And we have observed – as has the Commission, I think – that these three principles were not particularly well applied to the fiscal packages or the fiscal support measures that were granted.

It's notable that the Eurogroup, in particular, under the leadership of Paschal Donohoe, its president, has worked in good cooperation with the Commission to identify those countries or those measures that actually satisfy the 'three Ts'. And it's clearly the case that some countries have internalised those 'three Ts' – not many actually, but some of them have, and particularly those measures that are triggered by reduction, by increase in energy prices and are triggered on the way down by the lowering of energy prices, for instance, or those measures that were specifically identified with vulnerable population or people most exposed by the risk of energy prices.

But in terms of which tools can be used, it's really for the fiscal authorities to decide which ones they will prefer to use. But they are there, you mentioned some of them. As a former antitrust lawyer, I can think of a few others, but it's definitely the case that the tools exist.

1-013-0000

Martin Hlaváček (Renew). – Madam President, we have been striving here for many years to finally stop making distinctions between Member States, so that the divide between East and West, between North and South, does not play a role in our politics. However, for quite a long time now, I have been had the inescapable impression that the European Central Bank's policies are serving one group of countries more and another group less. This is very risky, especially in this day and age and with the threats that we face from the East. I understand that you have to base your decisions on the overall statistics; however, in a situation where the functioning of the internal market is not yet fully resolved and where prices vary a lot, such an approach certainly has its limitations. In an ideally functioning internal market, inflation rates in individual countries should not vary as much as they do today. But we do not have such a market. I therefore have two questions. Can you please tell us what you are doing specifically to ensure that the eastern countries – including those in the euro area – which are struggling

with high inflation are supported by the European Central Bank's policy? How is it supporting the central banks of countries that are outside the euro area in their fight against inflation? Second question: Could you indicate if there are any other complementary measures to add to the ones you are implementing to help these countries?

1-014-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much, Mr Hlaváček. It is a fact that within the euro area there is a degree of heterogeneity and there are divergences in terms of prices, and there are countries where the inflation rate is way north of 15%, has exceeded 20% at the highest levels back in October, whereas in other countries it's in the 5% to 6% range. So there is that divergence.

But as a European Central Bank for the whole of the euro area, we work on the basis of aggregate numbers that bring together in an aggregate way all countries. What we have to do, though, is to try to understand why there is that divergence, why we have such heterogeneity, and what we concluded on the basis of this analysis and the feedback that we're getting from all the national central banks, from all countries that have equal voice in the Governing Council is that, first of all, you had significant differences depending on the predominance of certain sectors of activity and, for instance, those countries that were strong on tourism, for instance, had for a period of time very high price pressures at the time of the beginning of the recovery. Another clear evidence of this heterogeneity results also from the proximity of trade with countries that are now under sanctions. If you look up north on the map of the euro area, obviously the Baltic countries are directly affected by this proximity and the volume and dependence on trade with immediate neighbours.

There is a third component which has also applied, which is limited fiscal support, which is decided at the country level. So limited fiscal support that has been extended by some of those countries that have the highest inflation numbers.

But in the face of all that, as the monetary policy authority for the whole of the euro area, I cannot distinguish, I cannot have a range of interest rates that would apply to the north, to the east, to the south. This is the monetary policy beauty, which is that it applies to the entire euro area, which is why we're very keen to see the outcome of the discussions between the Member States on the proposition of the Commission concerning governance and what further progress will be made, if any, in that respect, so that at the fiscal level there is a better path and a better roadmap and a better framework within which they can operate.

1-015-0000

Rasmus Andresen (Verts/ALE). – Thank you so much, President Lagarde. Good also to see you back in Parliament. Here I am, now you can see me as well!

Let me start out by sharing a concern I think many of us are having. I think that the situation on the financial markets right now is alarming. From our perspective, despite all differences also to the situation in the US, we can't be sure that the current developments in the banking sector aren't turning out to end up being much bigger than what we actually can see right now, with also lots of effects for the real economy, like, for example, through higher unemployment. So my question goes on the link between the current developments in the banking sector and your monetary decisions on the other side.

Last Thursday, you, President Lagarde, delivered on your promise of another large interest rate hike at 50 basis points. At the same time, the American and Swiss banking crisis also has effects on the global banking system, by banks handing out less loans or at a more expensive rate, at least. So, these effects also have an economically comparable dimension to further significant tightening of monetary conditions. So, having those two developments in mind, I would like to ask you if the current developments also in the banking sector are changing your analysis and

expectation for the economic outlook in general, and if you think that a recession is more likely now with the newest developments we are experiencing in the banking sector?

1-016-0000

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

Let me just give you the background of our decision on monetary policy last week. It was one of those Governing Councils where we receive from staff their updated projections on the basis of their massive work. Unfortunately, that massive work had a cut-off date in terms of periods of time during which they observed the economy and took stock of data and proceeded to the modelisation and projections. Those cut-off dates were, for some of the items, either 15 February or 1 March. Obviously it did not incorporate the impact of the financial tensions that we then observed, particularly as a result of the failure of Signature Bank, followed by Silicon Valley Bank and let alone the Credit Suisse development which we have observed over the last few days.

So, as a result of that, and given the inflation which is too high, and has been for too long, and our determination to bring it down, we decided to deliver on our interest rate hike of 50 basis points, but we did not repeat exactly the same commitment that we had before, where we indicated our determination to continue raising interest rates in a steady manner and so on and so forth. Because in the face of the uncertainty that we had, that is a not-updated projection and no calibrated impact of the financial tensions that we had observed on the markets, it was clearly more proportionate and more sensible to not make further commitment and to declare two things: one, that we would be data dependent; and two, to indicate clearly our reaction function by flagging the three components that we would take into account in order to decide subsequent monetary policy decisions.

So that's the background. In the face of that, we obviously saw the same financial tensions that you have observed. We are monitoring those tensions very carefully. We do that on an international basis, of course. But we also do that in the euro area banking sector, and we do so from a euro area financial stability perspective, also looking at individual banks as part of the regular supervision of the ECB banking supervision.

Needless to say that I work in close cooperation, but with appropriate respect for the various competences in the various areas of central banking, on the one hand, and supervision on the other hand. But we work closely and listen to the developments and the assessment of Chair Enria, who luckily will actually be with you tomorrow. So, there are quite a lot of questions that have to do with the euro area banking sector that I'm sure you will be very keen to ask him and that he will indeed address.

But we regularly assess banks' readiness to manage risk. Last year we looked at their ability to manage interest rate and credit spread risks. We regularly conduct stress-testing exercises, and the result of the next one – which is ongoing actually – will be published next July, and we publish information on the capital position and liquidity of the banks. We are very confident that the capital and liquidity positions of the euro area banks are very satisfactory, with significant capital ratio and liquidity coverage ratio way in excess of requirements.

So that has led us to reconfirm again – and I'm happy to repeat that in front of you as the ECON Committee of the European Parliament – that we believe that the euro area banking sector is resilient with strong capital and liquidity positions. As I have said, and I'm happy to repeat as well, in any case, we stand ready with our policy toolkit to provide liquidity support to the euro area financial system. And if the tools that we have in the toolbox were not enough, I know that

staff is capable of providing the adjustment or the recalibration that would be needed in order to address any liquidity risk that we would see developing.

1-017-0000

Rasmus Andresen (Verts/ALE). – A very quick follow-up, but still, thanks for the answer. I just would like to ask a bit more specifically into the issue on the funds rate. In the US, we could learn that like in the last week there had been a 1.5% increase in the Fed funds rate, and I would like to get a better understanding of your assessment of this, if this also would happen in the eurozone, then what actual impact would this have for your decision-making, your monetary decision-making.

1-018-0000

Christine Lagarde, President of the European Central Bank. – I'm not sure I'm spot on with your questions, but what I know for sure is that there is no trade-off between price stability and financial stability. We use two different sets of instruments for each of the two. We are mindful of the two. Price stability is our primary objective, and we know that it is conditional upon financial stability. But we are not compromising on one because of the other. We address them with different sets of tools.

1-019-0000

Gunnar Beck (ID). – Good afternoon, Ms Lagarde. I am extremely happy to be able to express my satisfaction with your most recent decision this time. To be honest: following the bankruptcy of Silicon Valley Bank in the USA and the concerns about Credit Suisse, I had no longer expected the right decision to raise the policy rate by 0.5 % to 3 % to be taken. With this increase in interest rates, you have also for the first time clearly distanced yourself from the anti-Bundesbank course of your predecessor. However, as you yourself said, you are not able to forecast a further 0.5 % increase in key ECB interest rates at the next ECB meeting with similar confidence.

How great was the resistance in the Governing Council to the most recent interest rate hike, and how much support did you have? I would be grateful if you could perhaps say a little more about this. Thank you.

1-020-0000

Christine Lagarde, President of the European Central Bank. – Thank you, Mr Beck. I'm disappointed that you doubted us in the first place, but I'm quite happy that you are no longer in doubt. What I can assure you, and where you should not be in doubt, is that we are determined to return inflation to 2% in the medium term, and we will do so.

Now, what we have done on the occasion of our last Governing Council meeting, which was very focused, very serious, brought most members together, with a few exceptions – a very minor group of 3 to 4, which were supporting the decision, but not the calendar of the decision – what we have done compared with the previous monetary policy statement is we have not indicated any kind of forward guidance.

We have said two things. One, we will be data dependent. The data on the basis of which we make our decisions are haloed with uncertainty at the moment, and we cannot possibly make a commitment on the basis of this halo of uncertainty around our projections. And two, which is really important, we flagged the three elements that we would use in order to decide our reaction function. And those three elements are, number one, the assessment of inflation outlook on the basis of the economic and the financial data that will come in. Two, is the development of underlying inflation. And three, the strength and effectiveness of our monetary policy transmission.

So, I think those are three components which experts and ECB watchers, for instance, as well as you, I'm sure, will really appreciate and understand and will guide us to determine our next moves. It cannot be predicated at this point in time what that next move will be. What is certain

is that we have more ground to cover on the basis of the current baseline, but we have to be attentive to the developments and how they will affect any of these three components that I have mentioned. But ultimately, we have to return inflation back to 2% in the medium term. And please do not doubt that determination. It is there and strong.

1-021-0000

Gunnar Beck (ID). – Thank you. Perhaps one rider to this. I think we can all agree that from a purely monetary policy point of view, both green policies as well as those on Ukraine tend to result in higher prices rather than lower ones. So could we agree that from a monetary policy viewpoint, both those things are almost unaffordable, especially in a time of high inflation?

1-022-0000

Christine Lagarde, President of the European Central Bank. – I think they touch on different areas. The determination in terms of climate change and the risk that it consists of, from a risk assessment basis as well as from monetary policy determination remains, unfortunately, and is sufficiently critically important and material that we have to take it into account.

On the other matter, I would leave it to the foreign affairs and political leaders to make their determination. But it seems to me that it's a pretty obvious choice. There is only one direction.

1-023-0000

Johan Van Overtveldt (ECR). – Thank you, Chair. Thank you, President Lagarde, for being here. I'd like to dig a little bit deeper into what you said on price stability and financial stability. The ECB has been increasing interest rates to stop inflation. Given the evolution of core inflation, you will have to continue with that kind of policy. Now that policy has a direct impact on financial stability, because it reduces economic activity, which is a handicap for the repayment capacity of debtors, and it has an important impact on the value of bond portfolios and the related derivatives. So, your anti-inflation policy, which I support very much, has a direct impact on financial stability. So my question is how do you assess the risk of having to stop prematurely with the monetary tightening policy given its impact on financial stability?

1-024-0000

Christine Lagarde, President of the European Central Bank. – Thank you, Mr Van Overtveldt, for the question. It will give me a chance to repeat again that there is no trade-off between price stability and financial stability. But it will also give me a chance to mention that, clearly, financial stability tensions might have an impact on demand and might actually do part of the work that would otherwise be done by monetary policy and interest rate hikes. That impact is uncertain at this point in time, but it will have to be taken into account when we produce our next projections, and also when we do our next assessment and decide our next monetary policy move. So, while very distinct and addressed with different tools, obviously one has an impact on the other and it will be visible in our projections.

1-025-0000

Johan Van Overtveldt (ECR). – How do you assess the second-round effect of inflation in the euro area – I'm especially referring to the labour cost increases that we saw in the last quarter of last year, which were quite substantial – and compare that to the second-round effect in the United States?

1-026-0000

Christine Lagarde, President of the European Central Bank. – Well, on the labour market development, as you mentioned, we have observed two phenomena: one, a very robust labour market with the lowest unemployment rate ever since we record unemployment rates, with very high employment participation. And however you measure, whether you use the wage tracker that we have used, drawing on information from seven countries in the euro area, or whether you use the analysis of new entries into corporates, which is a separate indicator of how tense the labour market is, the numbers are climbing and the levels are much higher.

We now have, on the wage tracker, an increase of 4.8%, and on the – I think we call it the index rate – we have an increase of 5.2%. So, there is a catch-up with the inflation that has been suffered by employees, and it's completely understandable that this catch-up is now taking place. There's always a lag effect in the labour market, but we are now seeing it very clearly.

Is that second-round? It needs to be assessed on the longer period of time. We are not seeing actually the spinning-out of inflation and second-round effects that would be of high concern. Obviously, we are very attentive and any such wage increases in a robust market are quite predictable and will probably be observed.

But we are looking at that very, very carefully and we are trying to dissect numbers on a per country basis, on a per sector basis, and depending on the entry level as well as the collective bargaining agreements that are negotiated.

So, I think we will hear and we will understand a bit better what is going on in the labour market in the spring, because there are quite a lot of collective bargaining agreements coming for renegotiation now, and some that are being reopened from the past in order to adjust as well.

1-027-0000

Isabel Benjumea Benjumea (PPE). – Thank you very much, Ms Lagarde, for being here today and answering all our questions. You have already answered many of the questions I had in mind. I will therefore be brief.

You referred to the very high inflation figures that we are now seeing in the European Union and, in particular, to the worrying inflation figures excluding energy and food. You mentioned that it is expected to be 4.6 % in 2023 and – in reply to some of my colleagues – you said that whatever it takes to ensure that it gets back to 2% would be done. I would like to know what you mean by 'whatever it takes', so as to understand properly where we are in order to be able to reach that 2%.

I am also interested in following up on one of the questions raised in relation to public spending. I wanted to focus my question on public procurement: I am deeply concerned by the fact that, increasingly in Europe, the main employer in many Member States is the public sector – be they local, regional or national administrations – and by the impact that this now has, especially in countries with high unemployment rates.

Finally, I would like to know if you have any thoughts on the high cost of recruitment and how this might influence the current situation as regards inflation.

1-028-0000

Christine Lagarde, President of the European Central Bank. – I think you summarised quite well the concern that we have, which is I think best epitomised by the three components that I have mentioned. One is the outlook for inflation, two is the underlying inflation components, three is the proper transmission. And the underlying inflation components, as you said, we see them at 4.6% this year, declining in 2024, but only arriving at 2.2% in 2025, which is in the vicinity of our target, but it's not at target.

Obviously we have to take that into account and determine whether or not those underlying components of inflation are going to be on a declining trend or, on the contrary, are going to be embedded and persist, which will obviously determine our monetary policy going forward because we want those underlying inflation components to be on the declining path.

All economic actors play their respective roles, whether it's public procurement, whether it is private consumption – all of that matters. It is also a fact that in order to return inflation to 2%, we are going to have to use interest rates and this is going to lead to a dampening of demand,

which is a precondition for inflation to return to 2%. We need to conduct that process in a proportionate, effective and efficient way, which are three preconditions for the validity of our decisions. We do that each and every time. This is the path on which we are, and we will continue so.

1-029-0000

Pedro Silva Pereira (S&D). – Thank you, Chair. President Lagarde, the controversial decision of the European Central Bank to increase again the interest rates by 50 basis points is explained by you here today on the basis of projections that were made before the recent emergence of financial tensions. Would you agree that those tensions tend to bring further decline in inflation, rather than the opposite? This is important because we have to know if the decisions of the European Central Bank are not based on wrong assumptions about inflation.

When we had here our last monetary dialogue in November, I asked you, did the inflation reach a peak? At the time you said, I don't think so. But now you are saying that the peak was in October last year and you've seen a decrease in the energy prices that led to a new projection on inflation. So, the second question is, are we seeing decisions being taken on the basis of wrong assumptions about inflation?

1-030-0000

Christine Lagarde, President of the European Central Bank. – As you can imagine, Mr Silva Pereira, my answer to you will be 'no'. We have made our decision on the basis of staff projections which, as I said, had been subject to a cut-off date, which was prior to the financial tensions. But in any event, and given the distance that we have to cover and the inflation that we are facing, this 50 basis points was a robust decision that needed to be taken, and we have taken that decision. What was, on the other hand, reasonable, was not to necessarily indicate as of now what subsequent decisions would be, and to have an open mind.

If it had only been based on the baseline without the tensions, without the uncertainty, the aggravated uncertainty, we would have indicated that subsequent hikes would be needed. But in the face of the uncertainty that we had, it would not – and it was not – the right policy indication to give, which is why we have determined that we would be data dependent and that we would decide on the basis of the three elements that I have indicated already a couple of times.

Now, we don't know how the financial tensions are going to develop. We are very confident that our banking sector is solid, is well capitalised, has strong liquidity ratios, and that the rules that apply in Europe under the directive frameworks that we have concerning resolution notably, are not the rules that have been applied by other institutions, notably by the Swiss authorities. Switzerland does not set standards in Europe. That has been made very clear by the joint statement that was released earlier on by the European Banking Association authorities, by the ECB supervision arm and by the – what was the third one? It was the SRB, of course. So, SRB, ECB supervision and EBA have been very specific on that and on the pecking order that applies in Europe.

So those financial tensions will have an impact. Which one, for how long, how deep, obviously remains to be seen. And if it does have an impact, it will probably lead to some tightening of the financing conditions that we are observing. We are already seeing some tightening of financing conditions. So, we already see that our monetary policy actually has an impact in the financing sector. We see it in the rates, we see it in the terms and conditions, we see it in the volume of lending. That might be accentuated because of the financial tensions, irrespective of the strength and solidity of our banking sector. We will have to take that into account as part of the data that we will receive when we make our next monetary policy decision.

1-031-0000

Eva Maria Poptcheva (Renew). – Thank you, Ms Lagarde, for being with us today and for your very eloquent and very interesting replies.

I would like to come back to this relationship between – as you already kind of hinted – the hikes of the interest rates, which might not be as steady as we've seen in the last months – at least 'no forward guidance', you said.

So the other pillar basically would indeed be the quantitative tightening, and of course we all know that more or less 80% on the balance sheet of the European Central Bank are state bonds. So, of course, many do fear that if we have this quantitative tightening, then basically this would lead to certain spreads between the state bonds.

On the other side, on the balance sheet, you also have some 20% of private assets within the asset purchase programme. So I'm wondering why you don't get rid, basically, on your balance sheet, of these private assets first?

1-032-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much, Ms Poptcheva, for your sort of double questions. This helps me to clarify one point: I did not say that hikes will not be as steady in the future; I said that we were not giving forward guidance and that we would be data dependent going forward and that we would make our decisions on the basis of the inflation outlook, informed by economic and financial data, on the underlying inflation and on the strength of our monetary policy transmission. So what the outcome will be, will be data dependent. That's very clear.

On the second part of your question concerning the normalisation of our balance sheet. We have said when we started considering the reduction of our balance sheet that we would be transparent and predictable. And this is what we did by clearly flagging that it would be 15 billion on average per month from March to the end of June, and that we would apply that on a smoothing basis in order not to privilege one category versus another, one country versus another.

This is what we are doing and we will continue to do so until June, or rather the monetary policy Governing Council meeting that will precede June, at which point we will indicate what we do going forward, whether we stay with the 15 billion, whether we go beyond or whichever decision we make at that point in time. But I think that we are very clear on what exactly we're doing, and it's the appropriate way forward. And it's an accompanying element of our monetary policy. The key one is the use of interest rates. That's the most efficient one.

1-033-0000

Margarida Marques (S&D). – Madam Chair, Mrs Lagarde, thank you very much for being here to share the current situation with us, and I would like to ask you three questions.

We know that the Economic and Monetary Union, the Banking Union and the Capital Markets Union are works in progress, and my first question is whether you think that an effective European deposit insurance in the current Banking Union would have been a key factor in reducing the pressure on the European banking system during the current crisis.

My second question relates to the TPI. Do you think that the current instruments that the ECB has in its toolkit, such as the TPI, are sufficient to address the nervousness felt on the markets? And if the TPI is activated, in accordance with the rules of economic governance, will the ECB do so taking into account the new rules on economic governance during this transitional phase, as presented by the European Commission?

Finally, I would like to understand better from the answers you have given whether you have any concerns with regard to the use of NextGenerationEU, in terms of putting the funding from that fund on the market.

1-034-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for the three questions. I'll try to address them in turn.

I couldn't agree more with you that the banking union and capital markets union need to be completed. I'm just curious as to what prevents us from moving forward. I would really like to be able to count on Parliament as a key member in those discussions to move forward on banking union. I think that the Commission is going to soon propose this crisis management, the CMDI, and I hope that we can move forward with that. It would be at least an indication that this banking union is not dead on arrival and that it's a project that has already two legs that are completed and it needs the third one to be to be completed as well. The CMDI would be a good signal to give.

On the capital markets union, I was a co-signatory together with the other presidents of an op-ed that was, thank you very much, published in some countries in which we all very strongly advocate that the capital markets union be revived and completed as soon as possible. I regard that as a critical component for innovation, for competitiveness, for the depth of a financial market that should not be single-sourced, as unfortunately is too much the case in the euro area.

So, on both accounts, I hope that things will move and in reasonably short order. I have to say that the President of the Eurogroup has not spared his efforts in the last couple of years in order to move the banking union project forward. But, as you know, he has also encountered some political difficulties in several Member States which do not see that as an opportunity going forward.

On your second question, 'do we have the instruments'? The answer to that is yes. We do have the tools. We have them in the box. Some of them have been used and then have been returned to the toolbox. They're ready to be reactivated again any time. The staff at the ECB have demonstrated – whether it was with TLTRO, with PELTRO, with TPI, with any of the instruments that we came up with during COVID and after COVID – that they can adjust, they can calibrate, they can come up with the appropriate additional tool if we need one. I think that we are fully equipped.

I'm not sure that I understood the link with the transition that you referred to. But if it's the transition to the green and digital economy, I think the financing operations that are available are certainly in capacity to respond to the needs.

On your third question, we have not seen additional and increased difficulties when there was bond issuance in the most recent days. But obviously it's something that we need to pay attention to, and we need to do the best job we can to the extent that we help the Commission in that respect in order to finance NextGenerationEU.

The critical thing in my view about NextGenerationEU is the effective use of those funds in complete accountability to the other Member States and in complete accountability to members of the European Union so that this joint funding is properly used and will improve the competitiveness and will deliver on the transition that is so much needed for all of us.

1-035-0000

Claude Gruffat (Verts/ALE). – Madame Lagarde, thank you for being with us again today at a time of quite strong turbulence in the markets. In response to the surge in inflation, the ECB, like other central banks, has sharply increased its key interest rates. Last Thursday, you

opted for an additional increase of 50 basis points. However, if there is one thing in common between the bankruptcy of Silicon Valley Bank and Crédit Suisse's difficulties, it is without doubt their vulnerability to interest rate risks. Although the rise in interest rates would seem, on the face of it, to be favourable to the profitability of the banking sector, it also entails risks. In this context, does the ECB envisage new refinancing operations?

Also, if such new programmes are introduced, should they not include haircuts for collateral based on non-green assets? This would also help to ensure that banks don't increase their exposure to stranded assets and sectors whose viability will decrease in the future.

1-036-0000

Christine Lagarde, *President of the European Central Bank* – I am tempted to answer you in French, but perhaps I will answer you in... okay, I'll answer in French!

I do not fully share your analysis that the difficulties suffered by Signature Bank in New York and Silicon Valley Bank in California – with a subsidiary in the UK and other branches elsewhere – are both related to the same causes. I really think that we are faced with profoundly different phenomena and that Silicon Valley Bank is a prime example of a 'bank run', whereas Crédit Suisse's situation is a long process that led to an emergency that has been unfolding since Wednesday. I don't think we're talking about the same diagnosis, let alone the same causes.

So you ask me whether, for this risk, we are considering refinancing operations and collateral haircuts. The funding lines we have today are entirely sufficient, necessary and generous for banks to be able to finance themselves. I said it in English just now: we are able to provide other tools, if necessary. We've done LTROs in the past, which could possibly be reactivated.

We are now under a collateral haircut regime, which remains and will continue until June. It does not seem useful – not for the moment, at least – to be considering other programmes and devising tools other than the ones that are now currently available and which we think are sufficient.

1-037-0000

Gunnar Beck (ID), – Madame Lagarde! I have been listening to you attentively. You said that, in view of the persistent high inflation, you would have announced further interest rate increases last Thursday and that it was only the risks of instability on the financial markets that kept you from making such an announcement.

Is it correct to conclude from this that these risks of instability are far from trivial? After all, you would not otherwise have changed your forecast for the next meetings.

1-038-0000

Christine Lagarde, *President of the European Central Bank*. – The financial tensions that we have observed for the last ten days or so are not trivial. Whenever a financial actor of the size of the Silicon Valley Bank, for instance, which was the 13th largest bank in the United States, or the second largest bank in a country like Switzerland, have to go very rapidly into either resolution on the one hand or a takeover on the other hand, it is not without repercussions.

What we have indicated in the press release that we issued last night is that we welcome the Swiss authorities' and the Swiss decisions that were made in order to address the situation and that it was necessary in order to restore financial stability. In the same vein, the very rapid action that was taken by the US authorities to do what was necessary in order to prevent any contagion was also certainly appropriate from a financial stability point of view.

But we have to be data dependent and we have to look at what the consequences will be, what impact it will have on yields, what impact it will have on the financing of the economy and of

certain sectors in particular. Once we see that, then it will help us determine what monetary policy decision we make. So I'm not minimising, but I'm also saying that we have a strong banking sector, much stronger than it was during the last great financial crisis, which is strongly capitalised, which has strong liquidity and which is certainly well supervised as opposed to other countries, where all banks are subject to Basel III – not some banks, all banks.

1-039-0000

Denis Nesci (ECR). – Thank you, President Lagarde, for being here and for the many answers you have already given. I listened very closely to what you said. You repeated your main point several times: that the ECB's goal in the medium and long term is to bring the inflation rate to 2%. Repeatedly raising interest rates, however, causes a major backlash in the very short term, especially for families, businesses and consumers.

I refer, above all, to the issue of mortgages: families and consumers are really struggling to meet their deadlines with credit institutions and, at the same time, when the economic backdrop is so complicated, businesses find it difficult to make growth plans and thus play a part in an economic upswing.

And if what you said is right – that we must focus on stability, I think we also need to be focusing on growth. These are, therefore, two definitions that have to go hand in hand.

So I won't ask a question; I'll express a wish, given that you said that you do not know whether there will be rate increases in the future. My wish is for this this ECB policy action to possibly be ended and softened with a view to providing households, businesses and consumers with some relief.

1-040-0000

Christine Lagarde, President of the European Central Bank. – Mr Nesci, thank you for bringing that up. Rest assured that this is not something that I forget when I go to bed every night. I know that some people are suffering more than others, and I know in particular that the most vulnerable, whether they are employees, whether they are small business owners, are taking a big hit as a result of inflation. I have family members who are in that situation, so I can see it very close to home, I can assure you. And, you know, if anything, it gives me more determination, more passion and more energy to reduce that inflation, to restore price stability, because we know that without price stability, we will not have growth. We will not have economic decisions that are made for the future and to improve the state of our economies. So, price stability is a precondition for growth, for employment, for investment decisions, for innovation. And our duty is to bring that price stability and we will do it.

1-041-0000

Anna-Michelle Asimakopoulou (PPE). – Thank you very much, Chair, and thank you, Ms Lagarde, for being here today and for your interesting insights. You've clearly indicated in your press releases and your press conference and today here that the events of recent days related to the international banking sector have added an extra layer, let's say, of uncertainty to our already uncertain outlook, and this could have a substantial impact on your monetary policy decisions.

So I would assume that eliminating any additional uncertainties would be a welcome development. If my assumption is correct, would you agree that a speedy conclusion of current negotiations on the new economic governance framework, increasing national ownership and accounting for the legacy of the pandemic on public debt would be beneficial to your efforts to secure price and financial stability?

And please let me complement this with a further inquiry on the interplay between monetary and fiscal policy, the coordination of which is always important, especially in times of major crises.

In your view, could the existence of a permanent fiscal instrument at Union level – with the right type of governance, of course – enhance the ECB’s position and ability to deal with crises and, overall, the Union’s, let’s say, optimal policy mix?

1-042-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you, Ms Asimakopoulou, for this elaborate question. On the first one, it is pretty simple and straightforward: yes, it is important that the European Union, and the euro area in particular, move back to a framework where the rules are known, where the thresholds are common, where the tools that are used and the scrutiny that is applied amongst the Member States is defined.

So, our hope is that the governance is decided in short order. You know that it’s a political issue, among other things, and our hope that it be simple, transparent and efficient would, I hope, be crowned with a satisfactory outcome.

Budgets are decided quite early on. For the 2024 budget, it’s going to be important that the framework be known. The Commission has issued guidelines. It’s important to have them, but to have the framework in place and agreed would be certainly a lot better and desirable. I don’t lose hope. I very much hope that this will be the case. But the escape clause was necessary. You cannot operate in that sort of escape clause environment forever.

On the permanent fiscal facility, this is something that would be helpful in the context of a single monetary policy, on the one hand, and multiple fiscal policies, on the other hand. We have seen the impact of NextGenerationEU, we have seen the impact of SURE and we have seen that deepening the integration within the European Union is regarded by those who invest in the European Union as a plus.

1-043-0000

Lefteris Nikolaou-Alavanos (NI) - Madam President, for months now, steep price rises and spiralling inflation have been leaving workers throughout the European Union with their backs to the wall, notwithstanding the reassurances being uttered by government officials, the European Central Bank and national central banks. These are the results of an expansionist policy designed to offset a lack of profitable investment and the accumulation of excessive amounts of capital within monopolistic groups. In our view, the Green New Deal and the Recovery Fund also fall into this category. You are now choosing to hike up interest rates in an ostensible bid to contain inflation, an equation that is, with mathematical precision, resulting in the impoverishment of workers. It is driving borrowers further into debt and causing banks to be undermined by additional non-performing loans, as evidenced, in our opinion by the collapse of US banks and the Credit Suisse, resulting in calls for further recapitalisation, which will have to be paid for by hard-pressed taxpayers. Irrespective of whether expansionary or restrictive policies are followed, bourgeois economic management theories are manifestly unable to resolve the contradictions inherent in the capitalist system and still less safeguard the needs and rights of the people.

I should therefore be grateful if Ms Lagarde could make known her views with regard to the following: Workers throughout the European Union are now demonstrating in support of their demands for real income support. For example, they are calling for collective bargaining in every sector, pay and pension increases in line with present-day needs, the abolition of value added tax (VAT) on basic commodities and the removal of excise duties on fuel and energy. In addition, what is your view on banning the repossession and auctioning of homes and property belonging to working families, as well as protecting their savings from possible haircuts necessitated by bank recapitalisation?

1-044-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you, Mr Nikolaou, for your question. Your point is right, that the working class, the underprivileged, the most vulnerable people are those that suffer the most from inflation.

If you compare the spending of a poor household with that of a rich household, the poor household will spend 30% of their income on food and energy. The rich household will spend 20% of it. And given that the key components that have increased significantly in the last couple of years are precisely energy and inflation, it goes without saying that the poor households are those who bear the brunt of this situation.

Hence, it is critically important to bring inflation down and to make sure that we restore price stability so that they don't suffer the hit of that high inflation, particularly on energy and food.

1-045-0000

Chair. – Thank you very much. Now I have no further requests and the next item on agenda is at 17.00. So let's take a short break and we will resume at five.

(The meeting closed at 16.42)