



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI

President

Ms Paloma Lopez Bermejo
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 3 November 2014

L/MD/14/464

Re: Your letter

Honourable Member of the European Parliament, dear Ms Lopez Bermejo,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 6 October 2014.

The unconventional measures adopted in June and September will have a sizeable impact on the Eurosystem's balance sheet. This will underpin our commitment to ensuring an effective transmission of the measures adopted and will strengthen their intended macroeconomic impact, namely to bring inflation rates back closer to 2%.

Regarding fiscal policies, euro area Member States should not unravel the progress made in fiscal adjustment so far and should proceed in line with the rules of the Stability and Growth Pact (SGP). For the majority of Member States, the country-specific recommendations (CSRs) issued in June highlight the need to reinforce budgetary strategies in order to comply with the SGP. For a few Member States that have already achieved sound fiscal positions, the CSRs recommend using available fiscal space for increased and more efficient public investment and for improving conditions that support domestic demand. Additionally, in all euro area countries, there is scope to move towards a more growth-friendly composition of the budget given that cuts in public investment in recent years have contributed disproportionately to fiscal consolidation, and also because the tax burden remains high.

Yours sincerely,

[signed]

Mario Draghi