



EUROPEAN CENTRAL BANK

EUROSYSTEM

COURTESY TRANSLATION

Christine LAGARDE
President

Mr Engin Eroglu
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 8 July 2022

L/CL/22/167

Re: Your letter (QZ-016)

Honourable Member of the European Parliament, dear Mr Eroglu,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 3 May 2022.

Consistent, clear and effective communication by the European Central Bank (ECB) and the members of its decision-making bodies is essential for the effectiveness of its monetary policy. It also ensures that the ECB, as an independent institution, fulfils its duty of accountability towards the public. Communication is in itself a tool of monetary policy and represents a core component of building credibility, trust and legitimacy. As part of its recent monetary policy strategy review, the ECB has evaluated and modernised its communication practices and explicitly committed to explaining its monetary policy strategy and decisions as clearly as possible to all audiences.¹

Since the early days of the Eurosystem, the ECB and the national central banks have agreed on basic principles for how to communicate monetary policy decisions in a consistent and coordinated way. One central element of these principles is known as the quiet period.² During the quiet period, in the seven days preceding

¹ See “An overview of the ECB’s monetary policy strategy”, available at: https://www.ecb.europa.eu/home/search/review/html/ecb.strategyreview_monpol_strategy_overview.en.html.

² See “Guiding principles for external communication for high-level officials of the European Central Bank”, available at: <https://www.ecb.europa.eu/ecb/orga/transparency/html/eb-communications-guidelines.en.html>.

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each scheduled monetary policy meeting, the members of the Governing Council refrain from giving speeches and making public remarks that could influence expectations about the upcoming meeting.

There is also a long-established practice that, after the press conference where the decisions by the Governing Council are explained by the President and the Vice-President, all other Governing Council members refrain from commenting in public until the media, markets and general public have taken note of and discussed the decisions.

With a view to further enhancing the effectiveness of our monetary policy communication, I recently suggested to the members of the Governing Council that, in line with established practice, in the days following the press conference, the focus should be on explaining the decisions taken. This suggestion is based on the latest research presented during the strategy review.³ In this research, it was noted that, even after monetary policy decisions have been agreed on and communicated, there is a need to focus on repeating and further explaining the decision in order to improve its effectiveness.

There is no intention to suppress certain views or question the independence of the individual members of the Governing Council. The public expression of the different views held by policymakers in due course enhances the robustness of our decision-making process. By publishing accounts of the Governing Council's monetary policy discussions, the ECB offers comprehensive insights into these debates and presents the full spectrum of the views expressed, as well as the reasoning behind them.

All my colleagues on the Governing Council are aware of the communication challenges we are facing, especially at the current juncture. Clear and consistent communication of our monetary policy decisions remains essential for their effectiveness.

Yours sincerely,

[signed]

Christine Lagarde

³ See "Clear, consistent and engaging: ECB monetary policy communication in a changing world", *Occasional Paper Series*, No 274, ECB, Frankfurt am Main, September 2021, available at: <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op274~9aca14e6f6.en.pdf?63436ac843159bdf4afcf0115e7f146f>.

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