



**EUROPEAN CENTRAL BANK**  
**EUROSYSTEM**

**ECB-PUBLIC**

Christine LAGARDE  
President

Mr Jonás Fernández Álvarez  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 18 April 2023

L/CL/23/97

**Re: Your letter (QZ-012)**

Honourable Member of the European Parliament, dear Mr Fernández Álvarez,

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 30 March 2023.

As you rightly point out, the new strategy adopted in 2021 confirmed the medium-term orientation of monetary policy.<sup>1</sup> Over the past 25 years, this policy orientation has served the Governing Council well and has allowed it to respond flexibly to economic shocks.

Concerning your question on the exact period of time that the Governing Council considers to be the “medium term”, let me point out that no numerically precise ex ante definition for the length of the medium term exists. Importantly, the medium-term orientation of the ECB’s monetary policy strategy is not to be equated with the end of the projection horizon referred to in Eurosystem/ECB staff projection exercises.

As confirmed in our strategy review, this medium-term orientation allows for inevitable short-term deviations of inflation from our 2% target, as well as lags and variability in the transmission of monetary policy to the economy and to inflation. The flexibility of the medium-term orientation reflects the fact that the appropriate monetary policy response to a deviation of inflation from target is context-specific and depends on the origin, magnitude and persistence of the deviation itself. For example, a shock to the demand for goods and services may move inflation and real economic activity in the same direction, while shocks to the supply of goods and

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<sup>1</sup> See *Overview of the ECB’s monetary policy strategy*, ECB, 2021, available at: [https://www.ecb.europa.eu/home/search/review/html/ecb.strategyreview\\_monpol\\_strategy\\_overview.en.html](https://www.ecb.europa.eu/home/search/review/html/ecb.strategyreview_monpol_strategy_overview.en.html).

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services could create a temporary trade-off between inflation and real economic activity. Usually, the need to align domestic demand conditions and keep inflation expectations anchored is more pressing in the former case, which can make it advisable to adopt a shorter definition of the medium term than in the latter scenario. In the current context of inflation that is projected to remain too high for too long, the Governing Council has repeatedly emphasised – most recently at its monetary policy meeting on 15-16 March 2023 – its determination to bring inflation back to its 2% target in a timely manner.

Yours sincerely,

[signed]

Christine Lagarde

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