



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Christine LAGARDE

President

Mr Domènec Ruiz Devesa  
Mr Jonás Fernández  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 19 June 2020

L/CL/20/168

**Re: Your letter (QZ-029)**

Honourable Members of the European Parliament, dear Mr Ruiz Devesa, dear Mr Fernández,

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 April 2020.

The euro area economy is experiencing an unprecedented contraction, with an abrupt drop in economic activity as a result of the coronavirus (COVID-19) pandemic and the measures to contain it. Price pressures are subdued on account of lower energy prices, the sharp decline in real GDP and the associated significant increase in economic slack.

Against this background, the ECB's Governing Council has taken decisive and targeted policy measures since early March which support liquidity and funding conditions in the economy, help to sustain the flow of credit to households and firms, and contribute to maintaining favourable financing conditions for all sectors and jurisdictions, in order to underpin the recovery of the economy from the coronavirus fallout.

In light of the deteriorating inflation outlook that threatens the Governing Council's medium-term price stability objective and the unwarranted tightening of financial conditions since the escalation of the pandemic, we decided to increase the envelope for the pandemic emergency purchase programme (PEPP) by €600 billion to a total of €1,350 billion and to extend the net purchase horizon until at least the end of June 2021. In any case, we will conduct net asset purchases under the PEPP until the Governing Council judges that the coronavirus crisis phase is over.

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Moreover, the Governing Council decided to reinvest maturing assets acquired under the programme until at least the end of 2022. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

In the current rapidly evolving economic environment, we remain fully committed to doing everything necessary within our mandate to support all citizens of the euro area through this extremely challenging time. This applies first and foremost to our role in ensuring that our monetary policy is transmitted to all parts of the economy and to all jurisdictions in the pursuit of our price stability mandate. The Governing Council, therefore, stands ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.

The ECB's measures are broadly comparable with those actions taken in other main jurisdictions, though with differences that reflect divergences in central bank mandates, their institutional environment and differences in financial structures, with external finance for non-financial companies in the euro area to a large extent being bank-based.

Yours sincerely,

[signed]

Christine Lagarde

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