



COURTESY TRANSLATION

Mr Nuno Teixeira
Member of the European Parliament
European Parliament
60 Rue Wiertz
B-1047 Brussels

Frankfurt am Main, 3 August 2011

L/JCT/11/644

Dear Mr Teixeira,

Thank you for your letter passed on to me by Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, and accompanied by a covering letter dated 23 June 2011.

In your letter you refer to the objectives of Article 3 of the Treaty on the Functioning of the European Union. Let me recall that the European Central Bank (ECB) supports the general economic policies in the Union by credibly delivering on its mandate, which is to maintain price stability in the euro area. Thus, it contributes to the achievement of the objectives of the Union. Indeed, maintaining price stability is the necessary and central contribution monetary policy makes to fostering sustainable economic growth, job creation and prosperity in the euro area.

Turning to your specific questions on exchange rates, the euro area forms a monetary union with a single currency – the euro – as its key feature. Within a monetary union national currencies have been replaced by a single currency and nominal exchange rates between the participating countries ceased to exist. Having a single currency automatically implies having a single exchange rate. Consequently, it is not possible to devalue the euro within the euro area as the euro is the shared currency of the countries of the euro area.

As regards exchange rates vis-à-vis currencies of third countries, let me emphasise that the external value of the euro is determined by market forces, notably expectations about future developments in the euro area relative to those in other economic regions. In this respect, the euro is a floating currency. The exchange rate is regularly monitored by the Governing Council, among many other economic, financial and monetary variables, to arrive at a broad-based assessment of the economic outlook and the prospects for price developments.

Yours sincerely,

[signed]

Jean-Claude Trichet