



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI

President

Mr Nuno Melo
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 1 July 2013

L/MD/13/407

Re: Your letter

Dear Mr Melo,

Thank you for your letter passed on to me by Ms Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, and accompanied by a cover letter dated 16 April 2013.

Regarding your question on the contraction of credit, credit intermediation is currently affected negatively by a set of interacting forces leading to weak credit growth and, in a number of member economies, to persistently tight lending conditions. These developments reflect predominantly weak demand and cyclical weakness, and, in selected countries, the need to reduce private and public sector indebtedness as well as banks' attempts to de-risk and de-leverage.

Disruptions in credit supply, especially in a number of euro area countries, continue to impair the normal flow of lending to consumers and corporations, hence depressing economic activity and inflation in the near term. This is visible in the Bank Lending Survey, for example, which confirms that country heterogeneity as regards developments in credit standards remains high.

It is therefore essential that governments intensify the implementation of structural reforms at national level, build on progress made in fiscal consolidation and proceed with bank recapitalisation where needed. Furthermore, they should maintain the momentum towards a genuine Economic and Monetary Union, including the swift implementation of the banking union.

Regarding your question on collective political solutions, the creation of a Single Supervisory Mechanism (SSM) will be crucial for rebuilding depositor and investor confidence in the banking system. Assigning this responsibility to a European authority will allow for more effective action in respect of credit institutions operating on a supranational horizon and for the creation of a level playing field for banks in the euro area.

Yours sincerely,

[signed]

Mario Draghi