ECB-PUBLIC

COURTESY TRANSLATION

Mario DRAGHI
President

Mr Angelo Ciocca
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 16 November 2016

L/MD/16/485

Re: Your letter (QZ-091)

Honourable Member of the European Parliament, dear Mr Ciocca,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 18 October 2016.

Let me first underline that all of the ECB's monetary policy measures have been taken with the aim of fulfilling our mandate of maintaining price stability in the euro area, as enshrined in the Treaty on the Functioning of the European Union (TFEU). The monetary policy measures have also been taken in full compliance with Article 123 of the TFEU, which explicitly prohibits the ECB from financing governments.

As regards their benefits, the monetary policy measures taken since June 2014 have contributed overall to a significant easing of borrowing conditions for firms and households, which has stimulated credit creation and provided substantial support to the euro area recovery. In fact, the pass-through of the monetary stimulus to bank lending conditions has been remarkable. For example, between May 2014 and September 2016, the annual rate of growth of loans to firms increased from -2.9% to +1.9%. Moreover, the cost of bank borrowing for euro area non-financial corporations (NFCs) declined by more than 100 basis points over the same period. In addition, the dispersion of bank lending rates across euro area countries decreased significantly. We also have evidence that bank lending conditions for small and medium-sized enterprises (SMEs) have improved even more: since May 2014, bank lending rates on very small loans (below €250,000) to NFCs – which are used as a proxy for loans to SMEs – declined by more than 150 basis points.

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The effectiveness of our measures is confirmed by our bank lending survey[1]. In this survey, banks have consistently reported that our asset purchase programme and the negative deposit facility rate have contributed to more favourable terms and conditions on loans, and that the additional liquidity stemming from our asset purchases is being used to grant loans to the private sector.

Lower borrowing costs have stimulated investment and consumption, and thereby economic growth, via a number of channels. As an example, lower financing costs imply a lower interest bill for firms, create wealth effects and make more investment projects profitable. Therefore, overall, inflation and economic growth in the euro area would be at substantially lower levels today if the ECB's monetary policy measures had not been implemented.

Yours sincerely,
[signed]

Mario Draghi

1 Results of the October 2016 euro area bank lending survey are published at: https://www.ecb.europa.eu/press/pr/date/2016/html/pr161018.en.html

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