



EUROPEAN CENTRAL BANK

EUROSYSTEM

Mario DRAGHI

President

Mr Luke Ming Flanagan
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 6 January 2015

L/MD/15/8

Re: Your letter (QZ 51)

Honourable Member of the European Parliament, dear Mr Flanagan,

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 8 December 2014.

The monetary policy decisions of the European Central Bank (ECB) are based on the medium-term outlook for price stability and aimed at contributing to our primary objective to maintain price stability in the euro area. The Governing Council of the ECB noted in early December 2014 that the latest euro area macroeconomic projections indicated lower than expected inflation, accompanied by weaker real GDP growth and subdued monetary dynamics. It will therefore continue to closely monitor the risks to the outlook for price developments over the medium term. In this context, the Governing Council will focus in particular on the possible repercussions of dampened growth dynamics, geopolitical developments, exchange rate and energy price developments, and the pass-through of monetary policy measures. It will be particularly vigilant as regards the broader impact of recent oil price developments on medium-term inflation trends in the euro area.

Early this year, the Governing Council will reassess the monetary stimulus achieved through the set of measures implemented in the second half of 2014, the expansion of the Eurosystem's balance sheet achieved through these measures, and the outlook for price developments. Should it become necessary to further address risks of too prolonged a period of low inflation, the Governing Council is unanimous in its

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

commitment to using additional unconventional instruments within its mandate. This may imply adjusting the size, pace and composition of the ECB's measures. Such measures may entail the purchase of a variety of assets – one of which could be sovereign bonds, as mentioned in your letter.

Yours sincerely,

[signed]

Mario Draghi

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