



EUROPEAN CENTRAL BANK

EUROSYSTEM

*COURTESY TRANSLATION*

Christine LAGARDE  
President

Mr Valentino Grant  
Mr Antonio Maria Rinaldi  
Mr Marco Zanni  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 6 May 2022

L/CL/22/108

**Re: Your letter (QZ-008)**

Honourable Members of the European Parliament, dear Mr Zanni, Mr Grant and Mr Rinaldi,

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 2 March 2022.

The European Central Bank (ECB) acknowledges that the outlook for euro area activity and inflation has become very uncertain following the Russian invasion of Ukraine and now depends crucially on how the conflict evolves, on the impact of current sanctions, and on possible further measures. Initial estimates of the war in Ukraine's impact on inflation were made in the context of our March 2022 ECB staff macroeconomic projections, including outcomes for more severe scenarios.<sup>1</sup> The ECB recognises that upside risks surrounding the inflation outlook have intensified and is monitoring developments closely. The further increase in headline inflation to 7.5% in April is clear evidence of the substantial short-term upward inflationary pressure on energy and food prices, which is partly due to the impact of the war. Eurosystem staff are currently working on a full update of the projections, including an assessment of the war's implications for the medium-term inflation outlook for the euro area economy, which will be published in June.

At its April meeting the Governing Council of the ECB judged that the data that had become available since its previous meeting reinforced its expectation that net asset purchases under its asset purchase programme

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<sup>1</sup> For details, see the March 2022 ECB staff macroeconomic projections for the euro area, available at: [https://www.ecb.europa.eu/pub/projections/html/ecb.projections202203\\_ecbstaff-44f998dfd7.en.html](https://www.ecb.europa.eu/pub/projections/html/ecb.projections202203_ecbstaff-44f998dfd7.en.html).

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(APP) should be concluded in the third quarter. As regards the key ECB interest rates, any adjustments will take place some time after the end of the net purchases under the APP and will be gradual. The path for the key ECB interest rates will continue to be determined by the Governing Council's forward guidance and by its strategic commitment to stabilise inflation at 2% over the medium term. Accordingly, the Governing Council expects the key ECB interest rates to remain at their present levels until it sees inflation reaching 2% well ahead of the end of its projection horizon and durably for the rest of the projection horizon, and it judges that realised progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at 2% over the medium term.

Looking ahead, the ECB's monetary policy will depend on the incoming data and the Governing Council's evolving assessment of the outlook. In the current conditions of high uncertainty, the Governing Council will maintain optionality, gradualism and flexibility in the conduct of monetary policy. It will take whatever action is needed to fulfil the ECB's mandate to pursue price stability and to contribute to safeguarding financial stability.

Yours sincerely,

[signed]

Christine Lagarde

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