Introductory statement to the press conference (with Q&A)

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Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference. I would like to thank Governor Nowotny for his kind hospitality and express our special gratitude to his staff for the excellent organisation of today's meeting of the Governing Council. We will now report on the outcome of our meeting.

Based on our regular economic and monetary analyses, we decided to keep the **key ECB interest rates** unchanged. We continue to expect them to remain at present or lower levels for an extended period of time, and well past the horizon of our net asset purchases. Regarding **non-standard monetary policy measures**, we confirm that the monthly asset purchases of €80 billion are intended to run until the end of March 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. As a next step, on 8 June we will start making purchases under our **corporate sector purchase programme (CSPP)**. Moreover, starting on 22 June, we will conduct the first operation in our new series of **targeted longer-term refinancing operations**. Further information on implementation aspects of the CSPP will be released after the press conference on the ECB's website.

The comprehensive package of decisions taken in early March underpins the momentum of the euro area's economic recovery and fosters the return of inflation to levels below, but close to, 2%. In particular, our measures continue to ease the cost of credit and contribute to a strengthening in credit creation. The economic recovery is gradually proceeding. Additional stimulus, beyond the impetus already taken into account, is expected from the monetary policy measures still to be implemented and will contribute to further rebalancing the risks to the outlook for growth and inflation. In the current context, it is crucial to ensure that the very low inflation environment does not become entrenched in second-round effects on wage and price setting. The Governing Council will closely monitor the evolution of the outlook for price stability and, if warranted to achieve its objective, will act by using all the instruments available within its mandate.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. Euro area real GDP increased by 0.5%, quarter on quarter, in the first quarter of 2016, after 0.3% in the last quarter of 2015. Growth continues to be supported by domestic demand, while being dampened by weak exports. The latest data point to ongoing growth in the second quarter, though possibly at a lower rate than in the first quarter. Looking ahead, we expect the economic recovery to proceed at a moderate but steady pace. Domestic demand remains supported by the pass-through of our monetary policy measures to the real economy. Favourable financing conditions and improvements in corporate profitability continue to promote investment. Moreover, sustained employment gains, which are also benefiting from past structural reforms, and still relatively low oil prices provide additional support for households' real disposable income and private consumption. In addition, the fiscal stance in the euro area is slightly expansionary. However, the economic recovery in the euro area continues to be dampened by subdued growth prospects in emerging markets, the necessary balance sheet adjustments in a number of sectors and a sluggish pace of implementation of structural reforms.

This outlook is broadly reflected in the June 2016 Eurosystem staff macroeconomic projections for the euro area, which foresee annual real GDP increasing by 1.6% in 2016 and 1.7% in 2017 and 2018. Compared with the March 2016 ECB staff macroeconomic projections, the outlook for real GDP growth has been revised up for 2016 and has remained broadly unchanged for 2017 and 2018.

The risks to the euro area growth outlook remain tilted to the downside, but the balance of risks has improved on the back of the monetary policy measures taken and the stimulus still in the pipeline. Downside risks continue to relate to developments in the global economy, to the upcoming British referendum and to other geopolitical risks.

According to Eurostat's flash estimate, euro area annual HICP inflation in May 2016 was -0.1%, up from -0.2% in April, mainly reflecting higher energy and services price inflation. Looking ahead, on the basis of current futures prices for oil, inflation rates are likely to remain very low or negative in the next few months before picking up in the second half of 2016, in large part owing to base effects in the annual rate of change of energy prices. Supported by our monetary policy measures and the expected economic recovery, inflation rates should recover further in 2017 and 2018.

This broad pattern is also reflected in the June 2016 Eurosystem staff macroeconomic projections for the euro area, which foresee annual HICP inflation at 0.2% in 2016, 1.3% in 2017 and 1.6% in 2018. In comparison with the March 2016 ECB staff macroeconomic projections, the outlook for HICP inflation has been revised slightly up for 2016, reflecting recent oil price increases, and has remained unchanged for 2017 and 2018.

Turning to the **monetary analysis**, broad money (M3) continued to grow at a robust pace in April 2016, with its annual rate of growth standing at 4.6%, after 5.0% in March. As in previous months, annual growth in M3 is mainly supported by its most liquid components, with the narrow monetary aggregate M1 growing at an annual rate of 9.7% in April, after 10.1% in March.

Loan dynamics followed the path of gradual recovery observed since the beginning of 2014. The annual rate of change of loans to non-financial corporations (adjusted for loan sales and securitisation) stood at 1.2% in April 2016, compared with 1.1% in March. Developments in loans to enterprises continue to reflect the lagged relationship with the business cycle, credit risk and the ongoing adjustment of financial and non-financial sector balance sheets. The annual growth rate of loans to households (adjusted for loan sales and securitisation) remained broadly stable at 1.5% in April, after 1.6% in March.

The monetary policy measures in place since June 2014 have clearly improved borrowing conditions for firms and households, as well as credit flows across the euro area. The comprehensive package of new monetary policy measures adopted in March this year underpins the ongoing upturn in loan growth, thereby supporting the recovery of the real economy.

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis confirmed the need to preserve an appropriate degree of monetary accommodation in order to secure a return of inflation rates towards levels that are below, but close to, 2% without undue delay.

Monetary policy is focused on maintaining price stability over the medium term and its accommodative stance supports economic activity. As emphasised repeatedly by the Governing Council, and as again strongly echoed in both European and international policy discussions, in order to reap the full benefits from our monetary policy measures, other policy areas must contribute much more decisively, both at the national and at the European levels. **Structural policies** are essential, given continued high structural unemployment and low potential output growth in the euro area. Structural reforms are necessary in all euro area countries, although specific reform needs differ across the individual economies. At this stage, the focus should be on actions to raise productivity and improve the business environment, including the provision of an adequate public infrastructure, which are vital to increase investment and boost job creation. The enhancement of current investment initiatives, including the extension of the Juncker plan, and progress on the capital markets union will also contribute positively to this objective. In an environment of accommodative monetary policy, the swift and effective implementation of structural reforms, in line with the country-specific recommendations recently published by the European Commission, will not only lead to higher sustainable economic growth in the euro area but will also make the euro area more resilient to global shocks. **Fiscal policies** should also support the economic recovery, while remaining in compliance with the fiscal rules of the European Union. Full and consistent implementation of the Stability and Growth Pact over time and across countries is crucial to maintain confidence in the fiscal framework. At the same time, all countries should strive for a more growth-friendly composition of fiscal policies.

We are now at your disposal for questions.

Question: I might have missed it, but I did not hear just now whether you expressed a view on whether the risks to inflation are now broadly balanced or tilted to the downside, whether that has changed. Could you please let us know?

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My second question is, at the accounts of your April meeting, you said that there was no conclusive evidence yet on whether there are second-round effects, and I'm wondering whether since then you have seen substantial evidence pointing in either direction.

Draghi: To the first question I'll answer, basically, reading again what is in the introductory statement: additional stimulus beyond the impetus already taken into account is expected from the monetary policy measures still to be implemented, namely the TLTRO II and the CSPP, and will contribute to further rebalancing the risks to the outlook for growth and inflation. In other words, what we are saying is that we have the June Eurosystem staff projections, and what's called the probability mass of risks over the years 2017 and 2018 has shifted slightly upward. So that is what it is. It's nothing dramatic.

On the second point, no, we haven't seen second-round effects. But at the same time, in the midst of what one would qualify as good news as far as growth and employment are concerned, we still see no substantial pressures on the wage and price-setting mechanisms, with the possible exception of Germany. It goes without saying that the Governing Council remains watchful and alert to the presence of any second-round effect, and stands ready to act using all the instruments within its mandate.

Question: I have another question on your forecasts. You're saying you're expecting more stimulus as you implement the measures. Looking at the forecasts, at the end of the forecasts horizon, on the inflation side they are the same; on the GDP side they're even worse. So I'm wondering, can you only sustain the very gradual recovery at the sluggish growth pace you've described with the help of ever-increasing stimulus, in which case are you prepared to keep that going as long as – maybe indefinitely? Or is the fact that your growth and inflation forecasts haven't improved after the March measures, is that a sign that basically any additional easing will not be effective and will essentially be pointless? Is that underlining your call for structural reforms, in a way? In which case, why are you saying you're going to do more and more and more, if you know that it's not going to make a difference? That would be my first question.

The second one is on Greece: have you discussed reinstating the waiver on Greek debt? And if you haven't, then I would be interested in knowing what it is you're waiting for.

Draghi: To the first question, no, we think our measures make a lot of difference, and have made a lot of difference in the sense of being very effective, even with the present pace of structural reforms which could be faster. It's pretty clear that in the presence of a faster pace of structural reforms our measures would be showing their positive effects faster, but even in its absence they have been effective. And we see that basically the March package has been instrumental in avoiding a severe deterioration of financial conditions after the turbulences around the end of last year, and certainly has supported the recovery.

I comment about the persistence of weak underlying price pressure, so we see growth which isn't really – I wouldn't use the word “sluggish” after the first-quarter data. But as I said, maybe the second quarter will produce a slightly lower figure. So we have to see the full impact of the measures that we have decided in March and that will have to be implemented yet, in June - the two measures that I mentioned before. I've commented about the rebalancing of risks, to that picture.

On the waiver, we had a presentation. We had no decision. The Governing Council acknowledged the significant progress made in the last two months which led to the agreement of the Eurogroup on 24 May. And it was based on the positive assessment by the institutions of the policy package adopted by the Greek authorities. So the package sets now the basis for the completion of the first review under the ESM programme. The Eurogroup has asked the institutions to verify the implementation of the prior actions under the supplementary MoU, and this is an ongoing discussion with the Greek government. Once the prior actions will be implemented, the Governing Council will take a decision leading to reinstatement of the waiver.

Question: My first question is about Brexit. What specifically is the ECB doing to prepare for Brexit? I'm asking about swap lines and other measures, in response to possible market turmoil if Britons vote to leave.

The second question is about the medium term: in the minutes of the previous meeting we read that we should not assume that “medium-term” coincides with the forecast horizon. In that case, could you give us a better idea of how long is “medium-term”?

Draghi: Well, we've discussed this since, I would say, the beginning of the existence of the ECB, because our objectives are defined over the medium term, and there isn't a precise timeline for the medium term. The length of the medium term depends on the nature of the shock and on the size of the shock. To give you an example, given the size of the shock that we had with the financial crisis, with the aftermath of the financial crisis, with the sovereign crisis in the eurozone and the repeated crises we had, we are seeing that the medium term for a return of inflation to our objective of an inflation rate of close to but below 2% is pretty long, and has been pretty long. But we continue insisting, saying that we want to reach this objective without undue delay, and when we say that we stand ready to act if needed.

So the conditions under which we would act, that's another important question that's been asked, and in a sense it's a complementary response to the definition of “medium-term”. We would act if we were to see an unwarranted tightening in the financing conditions which would alter the medium-term outlook for inflation, and we would act if we were to see the persistence of second-round effects which would entrench the effects of lower oil prices into the wage and price-setting mechanisms.

On your other question, the ECB is ready for any outcome. Of course, we've said, and I'll say it again, that the UK in Europe and the euro zone are mutually beneficial. So the ECB has a view whereby the UK should remain in the European Union, because the European Union would benefit from its permanence, and we believe that the UK too would benefit from staying in the European Union. The ECB is ready for all contingencies.

Question: I'd like to ask two questions, one a quick follow-on question from your response on Greece. How soon could the Governing Council take a decision after the prior actions are passed? Would it be something that could be immediate, or would it require another policy meeting?

For my second question I'd like to ask a little bit about the forecasts. The 0.5% growth figure for the first quarter seemed to produce quite a lot of enthusiasm among economists that we were now seeing a turning point, that strong domestic demand was being joined by stronger figures on investment, and that the recovery in the euro zone was strengthening. From what you've said today it doesn't seem that you're entirely convinced by that. With that in mind, would it be possible for you to say a little bit about what the staff forecasts say about what happens to core inflation and other indicators of underlying demand?

Draghi: On Greece, it will require another policy meeting. We'll also have to see what the ESM Board of Directors will decide. But, as I said, there will be a decision leading to the reinstatement of the waiver.

On the other question, indeed, we had a good first-quarter figure for GDP. We expect the recovery to continue, at perhaps a slower pace in the second quarter, but still a good figure. We have headline inflation, which is what is in the forecast, because of oil prices. At the same time we had data on core inflation for the first few months of this year, probably the first three months of this year, which came out weaker. And this is because of what I said before, namely that we don't see, with the possible exception of Germany, any substantial pressure in the wage and price mechanisms. We should also consider the producer prices also because of non-oil commodity price fall, and so that has to be taken into account. Is this going to be the final say? No. We have to see the full impact of the measures that we've decided in March, both the ones that have been implemented and the ones that are going to be implemented in June, namely the CSPP and the TLTRO.

Question: My first question is on the inflation forecasts. You've acknowledged the base effects of oil in the second half of this year, the rally in the oil prices that we've seen, and that the impact of the stimulus that you announced back in March is incorporated into these figures, and yet we still have a gap relative to target over the forecast horizon. So can I just confirm that you acknowledge that it seems that, today, looking over that horizon, more stimulus will be needed? Is that the message that you're sending, and at which point over the horizon will you look to review both the end of the QE programme and when more stimulus is needed?

My second question refers to some recent comments made by Danièle Nouy over non-performing loans, when she said, “The ECB is fast coming up with a plan to address legacy non-performing loans.” Is that still in the works, and can you give me any sense of when you're going to come up with something?

Draghi: On the second question, I will ask the Vice-President to comment on the NPLs. We've kind of divided our work somehow.

On the first question, I think right now – I've said – we have to focus on implementation. We have to focus on the effects of the measures that we've taken. We've seen that the probability mass of risks has shifted upward, although it's not a dramatic effect at all, and then we will be in a better position to answer your question.

Constâncio: What is being prepared by the SSM is of course supervisory action as is appropriate. Which means that the SSM has been assessing – both in quantitative terms, which were basically known, but also in qualitative terms – what are the nature of the different types of NPLs that exist in the banks; and also examining the best practices in all member countries. Because as you know there is not a European regime dealing with the provisioning systems to prepare write-offs for the NPLs. There is now a homogeneous definition of NPLs, but that's the only thing that is harmonised at the European level. And then as a micro-supervisor, the SSM will establish plans to have supervisory actions to individual banks to speed up the work-out of NPLs in order as quickly as possible to address that problem, working on the balance sheet of the banks, which of course implies that it will take some time.

Question: Since the CSPP is going to start on 8 June, could you please explain the decision-making process on which corporate bonds you are going to buy?

Second question: since you are also here to celebrate the 200-year anniversary of OeNB, why are national central banks still needed today, and what will possibly be the role of Österreichische Nationalbank in 2216?

Draghi: Well, I'll answer immediately to part of the first question, because then I will ask Governor Nowotny to respond to that. But just to give you an idea, the forecasts that we are discussing today are the product of a bottom-up process coming from the national central banks. We have our forecasts of two types: twice a year it's our own forecasts, and twice a year it's done by the national central banks based on their greater knowledge, or at least more detailed knowledge, of their economies. So that is also something to be kept in mind. Now, there are many other ways in which your question can be answered. Let me also say that our decision-making process is based on the collective wisdom of all the national central banks and the ECB. So there isn't one brain in Frankfurt that basically decides everything. And now I will give the floor to Ewald.

Nowotny: I can immediately follow this. First, of course, we have the role of our participation in forming of monetary policy, which is just as we have it today. It's the Governing Council which means we have the ECB plus the governors of the national central banks. But in addition to this, of course, national central banks have a number of other activities. One is that we are involved in payment services, so all the payments in Austria, to a large extent, go via, in this case, the Austrian Central Bank. A very important role and increasing role is our role with regard to banking supervision: again this is something where we have the ECB, but the ECB does this for the 129 biggest banks directly, in joint supervisory teams, and part of these joint supervisory teams are of course experts from the national central banks; and for the less significant banks it's directly done by the national central banks. We are heavily involved in financial statistics, and of course the technical side of monetary policy. That means the execution of monetary policy: how banks really can get to the loans given by the ECB. This is all done on the national level.

So I think at whatever time span you think about, for the next 100 years I'm pretty sure there will be a national central bank. As I said in one interview, I'm sure the Austrian Central Bank will celebrate its 300th birthday, and I expect that at this time it will a lady governor who is at the head of the central bank.

Question: I've got one question: are you not getting worried that your 0% interest-rate policy is causing imbalances and bubbles in certain areas of the economy?

Draghi: This is a question that I am asked several times, very often, because clearly it is a concern for the savers of the euro zone, very much like it was a concern – it's been a concern for seven, eight years – for the savers in the United States, in the United Kingdom and in Japan. It should be said that the low interest rates are a symptom of a weak economy, an economy where there is an excess of savings over investments. And it should be said that the low interest rates, zero interest rates or even negative interest rates, are the right monetary policy measures in order to strengthen recovery and restore growth. At that point in time, interest rates will rise again. So to say it briefly: for interest rates to be higher tomorrow, they have to be low today. Also let me add that the ECB has a mandate to deliver price stability, defined as that rate of inflation which is close to but below 2%, and has to use all the instruments that are necessary to deliver that mandate.

Question: Why, in your opinion, is the euro not weakening any more, even if the Federal Reserve is expected to tighten in the next few months? Is there a sort of agreement among authorities for not strengthening the dollar too much?

The second question is about the report of the five presidents. Do you think it is still realistic today? Haven't the political conditions probably changed?

Draghi: You know we don't comment directly on exchange rates. We say that the exchange rate is not a policy target, and it's not a policy target. However, we say the exchange rate is also important for growth and price stability. So the exchange rate is the outcome of several factors, one of which is the different position that the euro zone economy has in the recovery path with respect to other economies. That is something we want to keep in mind. And that will certainly elicit in the future, in the coming months, monetary policies that tend certainly not to converge; possibly diverge. That is something that we also want to keep in mind.

But as I said, the exchange rate is the outcome of several other factors: what happens with other geopolitical risks that we have identified; what happens with the geopolitical risks that are near to us, concerning the United Kingdom decision; it's also the outcome of the behaviour of the price of oil and many other factors. So it's hard to give one answer to your question.

The second question you ask me whether the Five Presidents' Report is still realistic. In a sense, it's not a question you should address to me but to the leaders, because it's a political question. They are the ones who are in the best position to assess the realism of their propositions, of their plans. But what the Five Presidents' Report basically says is that if the monetary union remains incomplete it remains fragile, and it remains vulnerable to shocks. To shocks of an economic nature, to shocks of a political nature. And in so being, it won't be a factor that will help the return of confidence in the euro zone and therefore a faster recovery and stronger growth. That's what the Five Presidents' Report, at bottom, says.

Question: There is a weird discussion going on in Germany in the last months about the abolition of cash, and it is a discussion that comes up every time there is something which has nothing to do with it like the €500 banknote question, or now some Germans say even that you will go on and abolish the €200 banknote. And even when Schäuble tried to talk about a limit to cash, which is something that is going on in every country, many Germans said, "This is the end of cash." What do you, also as an economist, think about this "cash is freedom" discussion in Germany?

Draghi: I would abstain from commenting about the general proposition whether cash is necessary to freedom, but I can certainly say that our decision about the €500 banknote has nothing to do with the abolition of cash. Nothing to do with it. So much so that we are substituting the €500 with more creation of the €200s. So that is simple, but it's very important to make it clear, because there has been confusion.

Question: Just going back to the inflation forecasts, you expect inflation to still be significantly below target by 2018. That'll be six years of sub-target inflation. How comfortable are you, given that outlook, with QE ending in nine or ten months? Am I right in thinking that you're saying that unless something changes in the meantime you're happy to let QE expire at the end of March? And does that mean that you're relying heavily on these TLTROs that are coming this month?

My second question is, in terms of the implementation of QE, there are reports that you're facing scarcity in certain markets: how confident are you that you can continue to buy all the bonds you want? And how much of a problem would it be, if you extended QE beyond March, to continue to find the necessary bonds?

Draghi: Answering the first question, I'll in a sense restate what I said before: we will focus on the implementation of the substantial packages of measures that we decided in March; but also I think we decided a significant package at the beginning of December, the effects of which we are seeing, and will continue seeing in the coming months. These June macroeconomic projections are just a snapshot of how we see things now, but we have to see what the full effect is of what's been decided before, and the effect of what's been decided but not implemented yet. It's quite clear, however, that we will not hesitate to act, and that is the meaning of the sentence in the introductory statement that contains the words "without undue delay".

And this drives me to the second question, to answering the second question you asked. The purchase programme is proceeding smoothly. There are some conversations in the market about potential limits that this programme may meet. We are not seeing, really, any difficulty. We see ample liquidity. The programme continues to proceed smoothly. But in case we were to face limits, the design of the programme contains enough flexibility so that we can adjust the programme in a way that would meet the desired size, and we have given in the previous months ample evidence that we are willing, able and ready to do so.

Question: The Convergence Report is out next week, and while most of the countries have agreed by treaty to join, nobody seems really close. I'd like to ask if you think anyone will join the euro again, and what will have to happen for that to happen?

Draghi: Well, the Convergence Report will show, as a matter of fact, that all the countries that haven't joined the euro don't yet satisfy the requirements for joining the euro. Although I should acknowledge very significant progress in stabilising, in consolidating budgets, in stabilising growth, and in pursuing the right economic policies, and often very significant structural reforms in many of these countries. The second point is we have to judge all these issues in perspective, really. We have to give ourselves time. And if you look, for example, at the poll of the Eurobarometer, that shows that the majority of the citizens in these countries are still in favour of joining the euro.

Question: My question is linked to the decade of low interest rates and ultra-easy monetary policy. It's been a long time that the rates are very low, and you are giving signals to markets that they are going to stay low for a prolonged period of time. So in this environment, let's say depositors lose their patience and start to withdraw their money from banks, bringing their loan-deposit ratios far above 100%, making banks fully dependent on money from the ECB: do you have any contingency plans for such a scenario? That's the first question.

The second one is rather theoretical. I know that your mandate is clear. Your mandate and your target is 2% – the 2% inflation target is very clear. But there are some calls, especially from the Bank of Japan recently, they might be thinking of revising their target to, let's say, 1% inflation. What are your thoughts about this? Would it be possible for the European Central Bank to revise their official target?

Draghi: To your first question, we have no evidence of withdrawing of deposits from the banking system. We actually have opposing evidence from central banks of other countries where interest rates became more negative than they are in the euro zone, and they don't experience any withdrawal of deposits from the banking system. Also, again, we shouldn't forget the experience of other countries like the United States, where they had zero interest rates for – I never remember whether it's seven or eight years. In our case, we started decreasing interest rates in November 2011, but still from a fairly high level. So our experience is much more limited with that.

Your second question has been asked several times today. “Why don't you revise the inflation target?” Now, there are two schools of thought. Some people say we should revise it downward and simply accept the fact that we'll never reach 2%, and we should take 1% or 0%. And some say, “Oh, you should revise it upward and go to 3% or 4%, because in this way you will elicit expectations that you will go up with your policies.” Now, the ECB position has been basically contrary to revising the inflation objective either way, and the reasons are different in different cases. The revision upward, frankly, would test seriously our credibility, because people would actually say, “How come you want to go to 3% when you're not even able to reach 1.5%?”

And by the way, each revision on both sides undermines the credibility of the central bank – for different reasons, but it undermines the credibility of the central bank. That effect by itself would raise the risk premium, and in so doing it would increase real interest rates and would go against the objective that we have of price stability but also against restoring growth. In the case of accepting a lower inflation target, this effect would be immediate. We would have an immediate increase in real interest rates, and therefore a further drag on the recovery and the return to inflation – and also there are many other reasons why, in the late ’90s, all central banks of major monetary policy jurisdictions decided that 2% was the right objective and the right target.

We've discussed these reasons on many occasions. Especially so in the monetary union. Where you lose flexibility in the exchange rate, you will have to have adjustments in wage and prices that are sticky downward, and so you need a certain cushion for carrying out these adjustments. So the reasons for keeping this objective are overwhelming, and they work in both directions.

Question: I would like to touch on the question of one of my colleagues concerning the projections of inflation. It seems to me that it becomes more and more difficult to get inflation back on target just with monetary policy. On the other side, you repeat after every Governing Council session that there's of course a problem that the political side doesn't help by structural reforms and so on. Do you, does the Governing Council, have any idea how such a process of structural reforms

channelled by the political side could get on the move, that you as the ECB get some help to get inflation back on track?

Draghi: First, as I said before, we should carry out the right monetary policy according to our mandate regardless of whether structural reforms are going to be put in place or not, because we have our mandate, and because ultimately – let's never forget the experience that Chairman Volcker had in the late ’70s, early ’80s – all in all, inflation is a monetary phenomenon. What makes a big difference, however, is that if structural reforms are in place, the time that it takes to reach this objective is shorter. And for us it would be out of our competence to actually decide which are the right structural reforms for each country, but it's quite clear that each country has an agenda of structural reforms, of those reforms that are more apt to that country's growth, to restoring competitiveness, to restoring competitiveness especially in the products and services markets. That is very, very important.

There is also one other side to your question. You didn't say it but you may have implied it: whether accommodative monetary policy removes the incentive to carry out structural reforms. We've discussed this on many occasions, and by and large we wouldn't agree with this. As a matter of fact, we see the two things as complementary, and we think that the incentive to undertake structural reforms should come from other considerations. For example, a very high unemployment rate in one country should be an incentive sufficient to undertake the necessary structural reforms, much more than a high interest rate on the financial markets.

Question: Speaking of structural policy reforms, which reforms must be implemented, particularly in Austria?

Draghi: As I said, the countries themselves have the best knowledge, the best competence to decide which structural reforms should be implemented, and therefore I am giving the floor to Governor Nowotny to answer this question.

Nowotny: Well, but I would say, to follow your lead, I think that one has to be very careful to stick to the field of monetary policy that we have to take care of, so I do not think as a central bank as such we should develop specific ideas about priorities in structural reforms. But I think from what we see in general, we have structural reforms both in labour markets and the product markets. There are studies, especially by the IMF, where there is a certain sequencing. So in certain circumstances labour market reforms might have priority; in other circumstances, product market reforms may have priority. And if I may say so, Mr President, we at the Governing Council are going to discuss this in more detail.

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