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Italy furious at ECB's Lagarde 'not here to close spreads' comment

By Reuters Staff

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ROME (Reuters) - Italy rounded on European Central Bank President Christine Lagarde on Thursday after comments that reawakened fears over the country's public finances as it battles Europe's worst coronavirus outbreak.

Lagarde told the ECB's monthly news conference the central bank was "not here to close spreads" between the borrowing costs of member states, as she called on governments to act to soften the economic impact of the coronavirus outbreak.

The comments sent Italian bond yields sharply higher, adding to the turmoil on a day that also saw a record fall on the Milan stock exchange which lost 17% amid growing alarm at the widening crisis.

Italian Prime Minister Giuseppe Conte said Italy was working with other European countries and institutions to ensure the safety of its citizens and would not accept "formal and abstract" interpretations of the situation.

“Europe is asking member countries for decisive measures to combat the health emergency effectively,” Conte said in a statement.

“In particular, the job of the central bank should not be to hinder but to help such measures by creating favorable financial conditions for them,” he said.

“We expect policies and actions from the central bank and from all European institutions that are adequate for the challenges we are facing.”

After an immediate spike in Italian government bond yields that further rattled financial markets, Lagarde gave an interview to CNBC television saying the ECB was “fully committed to avoid any fragmentation in a difficult moment for the euro area”.

Economy Minister Roberto Gualtieri said he was glad that Lagarde had clarified her remarks which had shocked Italian politicians at a time the country has been placed in virtual lockdown in a bid to contain the virus.

“I am confident that, as President Lagarde said, the ECB will use all the instruments at its disposal to this end,” he said in a statement.

Italy is the European country worst affected by the coronavirus outbreak, with a death toll of more than 1,000. In a bid to halt its spread, the government has banned public gatherings and all non-essential travel and ordered most shops as well as restaurants and theaters to close.

In an unusual, separate statement, Italian President Sergio Mattarella said Italy, as it grappled with the coronavirus crisis, had a right to expect

solidarity rather than obstacles from beyond its borders. He did not refer to any organization or person in particular.

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