

European Central Bank: Press Conference - introductory statement

Introductory statement given by Mr Willem F Duisenberg, President of the European Central Bank, and Mr Christian Noyer, Vice-President of the European Central Bank, at the Press Conference held in Frankfurt, on 11 May 2000.

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Ladies and gentlemen, the Vice-President and I are here to report on the outcome of today's meeting of the Governing Council of the ECB.

The Governing Council conducted its regular examination of the outlook for price developments and the risks to price stability in the euro area. The interest rate on the main refinancing operations of the Eurosystem was left at 3.75% and the interest rates on the marginal lending facility and the deposit facility were maintained at 4.75% and 2.75% respectively.

Allow me to give you an overview of the main elements of our assessment of the latest information on *monetary, financial market and other economic developments*.

In March 2000 the three-month average of the *annual growth rates of M3* - covering the period from January to March 2000 - rose to 6.0%, compared with 5.9% in the period from December 1999 to February 2000. Consequently, M3 growth remained 1½ percentage points above the reference value of 4½%. The annual rate of increase in credit to the private sector also rose, to 10.9%, compared with 10.4% in the previous month. These figures confirm our earlier assessment, namely that liquidity continued to be ample in the euro area in early 2000.

As regards *economic developments*, recent information confirms the very positive outlook for strong growth in the euro area. All available indicators and forecasts seem to point to a phase of continued economic growth, following the upturn observed in the second half of 1999. Industrial production rebounded in February and this, together with further increases in capacity utilisation and industrial confidence up to April, suggests an ongoing strengthening in industrial activity. In addition, with consumer confidence remaining at an all-time high and unemployment continuing to decline, the recent strength of private consumption should be sustained. Looking at the *world economy*, the upturn in growth has become more broadly based, pertaining to both industrial and emerging economies, and most forecasts indicate that current growth differentials between economic areas are in the course of narrowing.

Notwithstanding the strong growth performance and favourable outlook for euro area economic activity, the *exchange rate of the euro* has continued to decline over the past few weeks and has thereby moved further out of line with the increasingly positive economic fundamentals of the euro area, as well as international balance of payments positions.

In March consumer price inflation, as measured by increases in the Harmonised Index of *Consumer Prices* (HICP), rose to 2.1%, up from 2.0% in the previous month. This was due to developments in both oil prices and exchange rates. A moderation in 12-month inflation rates can be expected in the course of 2000, reflecting the decline in oil prices from around mid-March and base effects dampening the increase in inflation rates compared with the same month a year earlier. However, what matters for monetary policy are the trends underlying the outlook for price stability in the medium term. In this respect, the depreciation of the exchange rate of the euro, until it is reversed, will increase the risks to price stability in the medium term. These risks have to be taken seriously in the light of the current strong upswing. Other important factors which will have a crucial impact on the outlook for price stability over the medium term are a continuation of currently moderate wage developments, a further fiscal consolidation in line with the Stability and Growth Pact and the further implementation of structural reforms in product and labour markets.

The Governing Council would like its message to be very clear: price stability in the euro area will be maintained and, as I already said last week, the citizens of Europe can be confident that their savings

and pensions will keep their value over time. Price stability will help to turn the current upswing into a long period of high economic growth and falling unemployment, and it will strengthen the currency.

Finally, I should like to inform you about two items related to the field of statistics. First, the Governing Council has decided in the near future to publish a comprehensive description of the statistical information collected and compiled by the ESCB, mainly in the areas of money and banking statistics, securities issues, interest rates, balance of payments and financial accounts, with pointers to possible developments in these areas. Second, the Governing Council has adopted a revised Guideline and a revised Recommendation on “the statistical reporting requirements of the ECB in the field of balance of payments statistics, the international reserves template and international investment position statistics”. Both the Guideline and the Recommendation will be published in the Official Journal of the European Communities in due course.