

## **Sabine Lautenschläger: Interview with Agence France-Presse**

Interview by Ms Sabine Lautenschläger, Member of the Executive Board of the European Central Bank and Vice-Chair of the Supervisory Board of the European Central Bank, with Agence France-Presse, conducted by Agence France-Presse on 22 November 2018 and published on 26 November 2018.

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### **The European economy has slowed down in recent months and external risks are growing. Will the ECB stick to its plan to end net asset purchases next month?**

The incoming data are somewhat weaker than expected, but economic growth is overall within our projections.

I am confident that we will reach our objective of an inflation rate below, but close to, 2.0%. That's why we should decide to exit the net purchases in December as anticipated.

Despite the uncertainties that have increased in the last six months, right now I don't see anything on the horizon that could change this assessment in the next three weeks.

It is time to gradually normalize monetary policy.

### **Will the ECB also be able to raise interest rates before President Mario Draghi leaves next October?**

Our policy decisions are data driven. Based on the current information I am confident that we will raise key interest rates next year.

It might be in the summer or in the autumn, depending on the input we get from incoming data.

### **Isn't it dangerous to withdraw support from the economy just when the horizon is darkening?**

The outlook has not changed significantly. Risks are still broadly balanced and with our monetary policy, in particular with the reinvestment of the maturing assets, we will provide ample support to the economy.

Extending the net purchase programme would not bring significant additional benefits, but it would increase negative side effects. The reinvestments will act as a sufficient stimulus.

This, in addition to all the other measures we have in place – the targeted longer-term refinancing operations, low key interest rates, the full allotment policy, among others – will ensure that there is still an expansionary, accommodative monetary policy.

### **Will the ECB make changes to its bond-buying criteria in the new year, to maximize the impact of the reinvestments?**

With regard to the reinvestments, I think we should use well-established, known criteria, such as the capital key and limits on the issuer and the issuance.

We should not bind ourselves for a long period of time with regard to the reinvestments, as we cannot exclude the possibility that we will reach our inflation objective earlier than expected or that there will be an increase in negative side effects from our expansionary monetary policy.

### **Is quantitative easing (QE) a tool the ECB could use again in the future, as some current and former Governing Council members have suggested?**

In the context of a monetary union with many different sovereigns and no fiscal, genuine economic and political union, QE should not be part of the normal policy toolbox. It should be a tool of last resort, to be used only when there is a clear risk of deflation.

With a long-lasting, very accommodative monetary policy, side effects and risks emerge. And while pursuing price stability is the main objective, we also have to keep in mind the costs – and not only the benefits – of our monetary policy measures.

**What danger does the row between Rome and Brussels over the Italian budget present for the country's banking system?**

As a banking supervisor it's not our task to comment on political discussions or decisions with regard to the budgets and fiscal stances of individual countries.

Banks have to acknowledge changes and risks in the macroeconomic environment they operate in. And if these changes are relevant, we as supervisors adapt our assessment of banks' risk profiles, too.

Overall, the Italian banking system has become more resilient and banks are better equipped to deal with uncertainties than they were before.

**What do you see as the top priority for banking supervision in the coming months and years, in Italy and elsewhere?**

Among other topics, there is still further work to do on non-performing loans. They will keep us busy for the coming years.

The cleaning up of banks' balance sheets should be pushed through as quickly as possible. This is not specific to Italy. All banks should do their utmost to improve their resilience in sunny times when the economic cycle is on the upside.

Not all banks have done all of the work we would like them to do. Some are well under way, and some still need to do much more.

**Some observers are disappointed that a male candidate – Italy's Andrea Enria – will take over as head of ECB Banking Supervision from Danièle Nouy next year, rather than Irishwoman Sharon Donnelly. How did you feel about the news?**

I hope that our ratio of women in central banking, as well as in banking supervision, will increase. I'm convinced that diversity in management positions is an intelligent idea to pursue.