

Sabine Lautenschläger: Interview with Market News



Interview with Sabine Lautenschläger, Member of the Executive Board of the ECB, conducted by Luke Heighton on 28 August, and published on 30 August 2019

The account of last month's monetary policy meeting of the Governing Council showed the ECB has become more pessimistic in its assessment of the eurozone growth and inflation outlook over the longer term, to the extent that the baseline growth scenario may need to be revised. How worried are you?

There is, indeed, some increasing uncertainty based in particular on political shocks such as the trade tensions and Brexit. Also in Germany there is a downward trend in the manufacturing sector. But we also see signals of strengths in the euro area, for instance positive trends in the labour market and a resilience of the overall domestic growth.

The account appears to suggest – or at least I took from it – that a majority of members in the Governing Council do favour the introduction of a package of measures, such as a combination of rate cuts, asset purchases and tiering, rather than a selective sequence of options. Would that be your preference?

In my opinion, based on the current data, it is much too early for a huge package.

And I am still convinced that the Asset Purchase Programme (APP) is the *ultima ratio*, and it should only be used if you have a risk of deflation; and

the risk of deflation is nowhere to be seen now.

Furthermore, I am concerned about setting the wrong incentives for governments if we were to re-start the APP and buy further government bonds. What is needed are structural reforms to foster sustainable growth.

And you always have to ask yourself what kind of impact restarting the APP would bring. We are already in negative yield territory for many government bonds.

We also need to consider how big the purchase universe is when keeping the current purchase limits. And keeping the limits is for me of utmost importance to address the risk of monetary financing.

There has been a lot in ECB communications of late, and elsewhere, about the perceived need for fiscal authorities to do their part to boost growth and inflation. Do you think there is a trade-off between convincing certain governments to provide fiscal stimulus and the ECB embarking on deeper negative interest rates? Equally, if there is to be an interest rate cut on September 12, does it follow that there has to be tiering in order to gain support for such a measure?

We are not the only game in town, and we should not be. Let me repeat the need for structural reforms. This is necessary for sustainable growth, and would give a boost to the competitiveness of many countries in the euro area. Using fiscal space is another possibility for some countries.

Rate cuts are part of standard monetary policy tools, so it's something that you should certainly think about before you consider non-standard measures like APP. But overall, we have to assess whether these instruments are needed to support the transmission channel and what kind of impact and side effects they would have.

But first, I would like to see the September data and whether additional measures are needed to maintain price stability in the medium term. I would also like to assess what kind of impact these measures could have. Let us not forget that we already have a very accommodative monetary policy. Lending to households and firms is still high, according to the July figures; investments are still ongoing in spite of the uncertainties.

Do you have a view on how low into negative territory the ECB can go?

We need more analysis on what kind of impact and costs and benefits rate cuts would have. We need to look at potential side effects, for instance when would bank customers start to keep cash at home?

And you asked about tiering. Well, for this we need more analysis too. What is the net burden on banks and are mitigating measures necessary? The banks always bring up the gross burden, but they also benefit from the negative interest rate. So we have to consider all aspects before taking a decision.

Would you support more closely linking the state-dependent leg of forward guidance to inflation expectations? To plot a more explicit rate path should

certain inflation conditions be met at a given point in time.

I'm sceptical to link forward guidance solely to inflation expectations.

Could you envisage circumstances in which existing TLTROs could be repriced, in order to make them more attractive to banks?

That might be, yes. We can use different tools: a change in forward guidance, TLTRO, rate cuts, the mitigating measures for rate cuts, depending on whether the data shows a need for them, their impact, costs and benefits. But overall, I don't see the need for a huge package.

Recent ECB communications have consistently stressed that the medium term target inflation rate of below but close-to 2% is, and has always been, symmetric...

For me it's asymmetric as the Governing Council has defined price stability as an inflation rate of below 2 % over the medium term, while our inflation aim is defined as *close to* but below 2%. A change should not be done hastily but based on a holistic discussion about our monetary policy strategy.

Do I think that it needs to be changed? I'm not sure.

Larry Summers recently argued that when it comes to central banks, "what is needed are admissions of impotence in order to spur efforts by governments to promote demand through fiscal policies and other means." Is it accurate to say the ECB is impotent?

We are not without power. But it is very clear, too, that we operate in an environment that is also influenced by other actors and not solely by us.

Other stakeholders have to do their work too.

Were a decision taken by the Governing Council, perhaps against your better judgement, to restart APP, how long might it run for, and what level of purchases might we be looking at?

Again, I do not see a need for a re-start.

I was talking to someone the other day who said that a rate cut of 10 or 20bps is far less important than the forward guidance...

I could agree.

[Last call to enter projects for the](#)

EESC's 2019 Civil Society Prize on gender equality



Final date for applications: 6 September

The European Economic and Social Committee (EESC) is inviting civil society organisations and individuals across the European Union to apply for its flagship Civil Society Prize. This year, it is honouring initiatives that fight against gender stereotypes by championing equal opportunities for women and men and their equal treatment in all spheres of economic and social life.

The deadline for entries is 10 a.m. on 6 September 2019.

The EESC – which gives a voice to trade unions, NGOs and employer organisations at EU level – launched the call for entries for the prize, totalling EUR 50 000, in June. The prize will be awarded to a maximum of five winners at the award ceremony that will take place on 12 December 2019 in Brussels.

The EESC Civil Society Prize is open to all civil society organisations officially registered within the European Union and acting at local, regional, national or European level. Individuals can also apply. To be eligible, initiatives or projects must have already been implemented or be

still ongoing.

The full description of requirements and the online application form are available on our webpage: <http://www.eesc.europa.eu/civilsocietyprize/>

MORE ABOUT THE THEME OF THIS YEAR'S PRIZE

The EESC will this year be awarding its Civil Society Prize to outstanding projects and initiatives covering at least one of the following issues:

- fighting against or raising awareness of gender stereotypes, discriminatory social behaviour and prejudice in all spheres of economic and social life;
- raising awareness of the consequences of gender stereotypes produced by media content;
- promoting participation of women in traditionally male-dominated occupations, such as in the STEM and ICT sectors, and combating gender segregation in education;
- combating the gender pay and pension gaps;
- promoting female entrepreneurship, equality in decision-making, women's economic independence and work-life balance;
- addressing the specific challenges facing vulnerable women such as single mothers, women with disabilities, migrants, ethnic minorities or low-skilled workers.

ABOUT THE CIVIL SOCIETY PRIZE

The Civil Society Prize, now in its eleventh year, was launched by the EESC to reward and encourage initiatives and achievements by civil society organisations and/or individuals that have made a significant contribution to promoting the common values that bolster European cohesion and integration. In 2018, the prize focused on identities, European values and cultural heritage in Europe.

We kindly invite you to encourage civil society organisations in your country to apply for the EESC Civil Society Prize 2019 and thus help valuable projects win recognition.

**[Invitation to press conference –
Launch of Judicial Counter-Terrorism
Register at Eurojust](#)**

The Hague, 29 August 2019

The EU-wide Judicial Counter-Terrorism Register will enter into force next month. Its purpose is to strengthen and speed up judicial proceedings to combat terrorism and improve safety. The Counter-Terrorism Register will be managed by Eurojust, the EU Judicial Cooperation Unit, located in The Hague. To present the functioning of the Register, Eurojust invites you to a press conference on **Thursday 5 September at 10.30** in the press room of the Council of the EU, Rue de la Loi 175, 1048 **Brussels** (Justus Lipsius), with the participation of:

- Mr Ladislav Hamran – President of Eurojust
- Mr Gilles de Kerchove – EU Counter-Terrorism Coordinator
- Sir Julian King – European Commissioner for the Security Union
- Mr Frédéric Baab – Former National Member for France at Eurojust, initiator of the Counter-Terrorism Register
- Mr Michael Schmid – Deputy Head of the Counter-Terrorism Team at Eurojust

Access with the EU interinstitutional press card or the Council 1-year summit badge 2019.

If you have none of the above, please send an e-mail to press.centre@consilium.europa.eu attaching a valid national press card (media cards not accepted) and/or an assignment letter and ID.

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EU supports recovery and resilience in Nigeria with additional €50 million

In the margins of the 7th Tokyo International Conference on Africa Development (TICAD) today, Commissioner for International Cooperation and Development, Neven **Mimica**, signed a new €50 million package to enhance efforts in North East Nigeria. On the occasion, Commissioner **Mimica** said: *"The agreement signed today increases our bilateral cooperation with Nigeria by €50 million, bringing the total EU support to the country to €562 million for 2014-2020. This additional support will be focused on the North East of the country. It will help strengthen early recovery and build conflict resilience in affected and vulnerable communities in the States of Yobe and Borno, as well as improve human development, social cohesion and resilience for over 26,000 vulnerable households and communities in Yobe state."* The projects financed by this additional support will expand the already extensive EU humanitarian and development assistance to the many victims of violence and displacement in Nigeria's North East, while addressing some of the underlying drivers of violent extremism in the country. A full press release is available [here](#). (For more information: Carlos Martin Ruiz De Gordejuela – Tel.: +32 229 65322; Christina Wunder – Tel.: +32 229 92256)

Trade: Commission extends anti-dumping measures on imports of bicycles from several countries

The Commission [decided today](#) to extend for another 5 years the [anti-dumping measures in place](#) on imports of bicycles originating in China. Bicycles imported from Indonesia, Malaysia, Sri Lanka, Tunisia, Cambodia, Pakistan and the Philippines are also covered by these measures after previous investigations found that Chinese bicycles were passing by these countries to then be re-exported to the EU. The anti-dumping measures were originally imposed in 1993 and have been extended several times since then. The anti-dumping duties go up to 48,5%. The review investigation initiated last year concluded that there was a strong likelihood of continuation of dumping and recurrence of injury should the measures lapse. The EU bicycle industry produces over 11 million bicycles across 22 Member States every year. EU bicycle producers provide 100,000 direct and indirect jobs. More information on the EU trade defence instruments is [online](#). (For more information: Enrico Brivio – Tel. +32 229 56172; Clémence Robin – Tel.: +32 229 52509)

Concentrations : La Commission autorise l'acquisition de Wessanen par PAI Partners

La Commission européenne a approuvé, en vertu du règlement européen sur les concentrations, l'acquisition de Wessanen, entreprise basée aux Pays-Bas, par PAI Partners, basée en France. Wessanen, par le biais de ses marques telles que Bonneterre et Bjorg, est active dans le secteur d'approvisionnement en aliments et boissons biologiques et naturels dans plusieurs pays de l'Espace économique européen (EEE). Pai Partners est une société de capital-investissement. Les sociétés de portefeuille appartenant à PAI Partners pertinentes pour cette concentration sont le Group Labeyrie, qui est actif dans l'approvisionnement d'aliments fins et gastronomiques, ainsi que Refresco, une société de mise en bouteille de boissons. La Commission a conclu que la concentration envisagée ne soulèverait pas de problème de concurrence, car les chevauchements entre les activités des entreprises sont limités. De même, la Commission a exclu tout problème de concurrence résultant de liens verticaux entre les entreprises. De plus amples informations sont disponibles sur le site internet [concurrence](#) de la Commission, dans le [registre public](#) des affaires sous le numéro d'affaire [M.9369](#). *(Pour plus d'informations: Lucía Caudet – Tel. +32 229 56182; Giulia Astuti – Tel.: +32 229 55344)*

[Upcoming events](#) of the European Commission (ex-Top News)