



**EUROPEAN CENTRAL BANK**  
EUROSYSTEM

**ECB-PUBLIC**  
*COURTESY TRANSLATION*

Christine LAGARDE  
President

Mr Jean-Lin Lacapelle  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 16 September 2022

L/CL/22/202

**Re: Your letter (QZ-020)**

Honourable Member of the European Parliament, dear Mr Lacapelle,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 13 July 2022.

Regarding your question on what the ECB intends to do to protect purchasing power and household savings, the Governing Council is united in its commitment to make sure that inflation returns to our 2% target over the medium term.

Inflation is currently undesirably high, reaching 9.1 per cent in August. Extremely elevated energy price inflation remained the dominant component of overall inflation, but also food price inflation continued to pick up strongly, partly reflecting higher input costs related to energy. Supply bottlenecks, although easing somewhat, continue to gradually feed through the pricing chain, combining with upward pressure on services inflation as demand is recovering from pandemic lows. Overall, price pressures have been spreading across more sectors and our staff projections now expect HICP inflation to remain substantially higher in the shorter-term before unwinding to rates somewhat above our target in 2024. While the undesirably high inflation outlook is to a large extent due to factors originating outside the euro area economy, we are closely monitoring the risk that current inflation developments become more persistent.

Our decision in July to raise our three key interest rates by 50 basis points was an important step on our monetary policy normalisation path that we began in December last year, bringing an end to our negative

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interest rate policy. In September, we raised interest rates again, by 75 basis points, while – based on our current assessment – we expect to raise interest rates further over the next several meetings. This normalisation process is another key contributor to bringing inflation back down to 2% over the medium term, as it guards against the risk of a persistent upward shift in inflation expectations.

Fiscal policy is helping to protect the purchasing power of households. Temporary and targeted fiscal measures – rather than providing broad-based support to fully neutralise the fallout from both the pandemic and the war in Ukraine – need to not only protect those bearing the brunt of higher energy prices, but also pose limited risk of fuelling inflationary pressures, preserve debt sustainability and raise growth potential in a sustainable manner to enhance the recovery. Ideally, they should also maintain incentives to improve energy efficiency and reduce energy consumption.

Yours sincerely,

[signed]

Christine Lagarde

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